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Why Europeans
cannot afford to gloat
Page 17

Insurers and the environment
US lessons on the cost of
cleaning up
Page 12

Nestlé
How the Swiss giant
shook itself up
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Survey
Machine tool
industry
Pages 27-28

FINANCIAL TIMES

Wednesday May 6, 1992

EUROPE'S BUSINESS NEWSPAPER

D 8523A

Russia in nuclear isotope deal with British company

Russia's nuclear industry will today announce its first big deal to supply radioactive materials to the west. The Russian Ministry of Atomic Energy and Industry is setting up a joint venture with the UK's Amersham International which will sell radioactive isotopes made at the ministry's Mayak production centre in the Urals. Mayak is initially expected to receive \$15m a year in hard currency for the isotopes. Page 18; US action over missile deal, Page 8

Macbeth, troubled French publishing and media group, unveiled a FF2.8bn (\$500m) rescue plan and said it would merge with Matra, its electronics-to-transport sister company, by the end of the year. Page 19; Lex, Page 18

Bosnia traces moves Bosnia's presidency signed a truce with Yugoslav federal army representatives yesterday, according to an unnamed European Community mediator. The truce was supposed to take effect by last night. UN envoy reaches Sarajevo, Page 2

Deutsche Bank plans to reorganise and expand its North American operations to boost its presence in US capital markets and private banking. The German bank has more than trebled its US assets to \$14bn since 1980. Page 19

Recovering the booty Los Angeles police have been tracking down goods looted during the city's three days of racial violence - often tipped off by neighbours. Some looters, apparently suffering remorse, voluntarily returned stolen items. Bank to visit Los Angeles, Page 6

Mong Kong contractors A consortium led by Britain's Traylor House is expected to emerge tomorrow as winner of a HK\$80m (\$10m) Hong Kong government contract to build one of the world's biggest suspension bridges. Page 18

Crisis on the Crimean peninsula declared independence from Ukraine, subject to a referendum. Ukrainian president Leonid Kravchuk recently warned of possible bloodshed if the territory, which has a Russian majority, were to question Ukraine's sovereignty. Page 3

Options Bank-ops Four European futures and options exchanges are to co-operate. The Amsterdam-based European Options Exchange, OME Group, which has exchanges in both London and Stockholm, and the Swiss Options and Financial Futures Exchange (SOFEX) signed an agreement in London. Page 23

Tajikistan clashes At least five people were believed dead after supporters and opponents of Tajikistan's conservative authorities clashed in Dushanbe, capital of the former Soviet republic. Page 3

Olympia & York, the troubled property developer, has called its 15 largest bank lenders to a meeting in London tomorrow to outline its long-term restructuring plans. Page 21

Lebanese civil war: Demonstrators burned down the house of Lebanese finance minister Ali Khalil and raided money exchange shops in protest against the collapse of the Lebanese dollar. Page 9

Paper deals South African paper company Sappi is to pay DM400m (\$240m) for a 90 per cent stake in Hannover Paper, the German pulp and paper concern, which is a leading producer of wood-free paper. Sappi is part of the Gencor group. Page 10

Swedish steel Sweden's government aims to raise about SKr1.85bn (\$12.5m) next month by selling its controlling stake in state steel company SSAB. Page 19

Headline spells out his priorities: Michael Heseltine, recently appointed president of Britain's Board of Trade, promised to do more to champion the cause of UK industry at home and abroad. He told the Financial Times his first priority would be to "help British industry to win" and said he would lead efforts to ensure businesses received better advice and help from government departments. Page 10

European Championship host: England has been picked to host football's European Championship in 1996 - the first time since 1968 that an international soccer tournament will have been held in the UK. Page 10

Tyson in solitary: Jailed former heavyweight boxing champion Mike Tyson, 26, who is serving a six year sentence in Indiana for rape, was put in solitary confinement after allegedly threatening a prison official.

STOCK MARKET INDEXES

FTSE 100	2,882.2	(+2.4)
YSEI	4,501	(+1.5)
FTSE 1000	1,174.25	(+12.2)
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Russia plans fully convertible rouble

By Layla Bourton in Moscow

THE RUSSIAN government yesterday outlined a bold timetable which, in theory, would allow the rouble to trade freely against other currencies.

Under the plan the rouble would have a single floating exchange rate for all current account transactions from July.

Mr Konstantin Kagalovsky, Russia's representative in talks with the International Monetary Fund, said that from August 1, the government intends to introduce what he described as a fixed rate - which he hoped would emerge as R100 a dollar compared to its present rate of around R240.

However, the currency would be allowed to fluctuate within a wide band - 7.5 per cent up or

down from that fixed central rate with the help of a proposed \$6bn stabilisation fund from the West.

The plan to make the rouble convertible is a vital part of integrating Russia into the market-based economic system of the industrialised world.

A convertible rouble would expose Russian businesses to competitive forces from abroad and should encourage foreign investment in Russia's struggling economy.

The rouble, which was legal tender in the territory of the former Soviet Union, has not been fully convertible on world markets since the Russian revolution.

But since the start of the year many banks and companies have been allowed to buy and sell the

currency within the country at small-scale trading sessions organised by the central bank.

The stated goal of the Russian authorities is to make the rouble tradable on current account and to allow foreign investors in Russia to repatriate profits.

Arrangements on capital account transactions, however, are still unclear.

Western experts warned that it was probably too early to say either how exactly or when the stabilisation fund would be used.

Several issues, as Russian officials admitted, have yet to be settled.

These range from controlling monetary policy of other republics which would be part of a rouble zone - an issue which will be discussed at a meeting of central bank chairmen of former

Soviet republics in mid-May - to liberalising the domestic price of oil.

Both are seen by the IMF as preconditions for introducing current account convertibility with the cash pledged by western governments when Russia joined the Fund last month.

The government plans to abolish from July 1 remaining quotas and licences on all exports except for energy, arms and areas such as textiles on which foreign countries had import restrictions.

Mr Kagalovsky declined to set a date for liberalising the price of oil paid by domestic users, containing himself with saying that "the upper limit" set on its price by the government were "not eternal".

One western official said it could take three or four months

for the stabilisation fund promised by western governments to be implemented once the rouble had been floated. This was because it would take more than a month for it to find a rate at which it could be stabilised.

"Any discussion about the (exchange) rate today is largely irrelevant because we don't know what inflation prospects are," the official said. "Let's do the painful adjustment first - such as freeing the price of oil, stabilising the inflation rate, and then let's see what exchange rate stabilises."

Mr Kagalovsky reiterated the prerequisites for convertibility - a tough credit and monetary policy, positive real interest rates (Russian interest rates are now lower than inflation), and cutting the budget deficit (the government's target is for it to reach 5

per cent of gross national product by the end of this year compared to 20 per cent last year).

Mr Kagalovsky said a single exchange rate also meant that there would be no special investment rate for foreigners to buy shares in privatised Russian companies.

Reuter reports from Washington: US Federal Reserve Governor Wayne Angell said he was pessimistic that the rouble stabilisation fund to be established by western governments would work and said it could become a "hotline pit".

In a speech to the National Economists Club, Angell said it was very difficult to stabilise currency against other currencies without totally devoting monetary policy to that purpose.

Waigel attacks budget deficit

By Quentin Peel in Bonn

MR THEO WAIGEL, the German finance minister, yesterday called for new limits on unemployment benefits and cancellation of all subsidies next year for the Federal Labour Office, in a drive to reduce the state budget deficit.

His move was immediately condemned as "antisocial" by the German trade union federation.

The drastic measures, amounting to a cut of DM50m (\$30m) in comparison with the current year, was the only substantial saving proposed by the finance minister in a gloomy review of the state's spending programme for the next four years.

Instead he insisted that any new projects - including reform of the railways, old age care and new family and housing allowances - must be self-financing in the coming years. He said a promised reform of corporate taxation must be neutral in its effect on the budget, and that all public spending would be kept to a maximum 3 per cent growth rate until 1996.

He failed to answer fears that the costs of subsidising and rebuilding east Germany would lead to a steadily rising budget deficit, but simply insisted that the present medium-term financial strategy must be maintained. That calls for a cut in the budget deficit from around DM45bn this year to just DM25bn in 1996.

His presentation to the parliamentary groups of the ruling coalition parties suggested there will be little if any new cash in the public sector pay offer expected today for striking public sector workers.

The unions yesterday responded to the approaching talks by bringing out more than 330,000 workers in the biggest show of force of their nine-day national strike and closing Frankfurt airport, continental Europe's busiest, for the day.

142	KOPENHAG-ANNULLIERT
416	BRUESSEL-ANNULLIERT
365	GLASGOW-ANNULLIERT
478	WIEN-ANNULLIERT
908	MIAMI-ANNULLIERT
444	NIZZA-ANNULLIERT
438	LINZ-ILLIERT
442	INNS-ANNULLIERT
586	Z-NULLIERT
730	JACK-ILLIERT
348	ILLIERT
512	ILLIERT

All flights were cancelled yesterday at Frankfurt airport, the busiest in mainland Europe, as German strikes spread. Page 2

The 3 per cent limit on spending for the public sector - and 2.5 per cent for the central government - is only half the expected nominal growth rate over the next four years. To be observed it will inevitably mean spending cuts by labour-intensive local authorities.

The Federal Labour Office is responsible for all unemployment benefits in Germany, as well as training and job-creation schemes which have been critical to the maintenance of income levels in the collapsed east German economy. This year's federal subsidy amounted to DM50m, Mr Waigel said. Unofficial estimates

suggested that up to DM60m would be needed in 1993, without substantial savings.

Mr Waigel rejected suggestions, from Germany's economic institutes and from Mr Jürgen Möllemann, the economics minister, that he was underestimating the real strains on his budget.

At the same time he called for "iron savings" to reduce the budget deficit, admitting the pressures from the "national and international financial markets for our contribution to a fall in interest rates".

Unions dig in, Page 2

UK cuts rates to four-year low

By Peter Marsh, Economics Staff, in London

THE UK government yesterday cut interest rates to their lowest level for four years in an effort to help fragile signs of recovery.

Commercial bank base rates fell from 10.5 per cent to 10 per cent - the first fall since September - after the Bank of England reduced its short-term money market rates. The cut reduced the margin between UK and German borrowing rates to the narrowest for 11 years.

Mr Norman Lamont, chancellor of the exchequer, said the cut was good news for the economy and that Britain was "well placed" for recovery.

Sir John Banham, director-general of the Confederation of British Industry, said, however, that

while the cut would "provide a useful boost to business confidence", high real interest rates were damaging prospects for many companies, particularly manufacturers.

On currency markets the pound weathered some selling pressure against a stronger D-Mark, closing in London half a pence down at DM2.925 and within 3 pence of sterling's central DM2.96 rate in the European exchange rate mechanism.

The rate cut - which Mr Lamont signalled last week via Bank of England money market operations - brought UK base rates to within a quarter of a point of the comparable German Lombard rate of 9.75 per cent.

That underlines the UK's gamble that the Bundesbank council - which meets tomorrow - will

refrain from increasing its own rates in the next few months.

Any such move could strain the pound within the ERM. The UK Treasury and central bank are believed to have been confident enough that the pound will retain its recent strength to have found the risk worth taking.

Even so, the threat that the Bundesbank may increase rates - or at least not bring them down quickly - in an effort to damp German inflation is expected to make the latest UK base rate cut the last for some months.

Is recovery on the way? Page 11
Editorial Comment, Page 16
Another cautious cut, Page 18
Lex, Page 18
Gilt market, Page 24
Currencies and rates, Page 38

O&Y to aid cash shortage by sale of Santa Fe stake

By Bernard Simon in Toronto and Robert Pearson in London

OLYMPIA & YORK, the troubled property developer, yesterday unveiled plans to alleviate its cash shortage by selling its 18 per cent stake in Santa Fe Pacific, the Chicago-based railway, mining and pipeline group, for an estimated \$400m.

O&Y announced its plans for a public offering of Santa Fe shares while 11 banks were meeting in London to decide whether to put the company's UK subsidiary, O&Y Canary Wharf Holdings, into administration under British insolvency procedures.

The alternative to administration is a proposal, backed by the UK banks Lloyds and Barclays, for the banks to lend \$30m (\$30m) to allow work to continue over the coming month at O&Y's property development at Canary Wharf in London's docklands.

The banks were still meeting yesterday evening.

In a separate development, O&Y said it had called a meeting for tomorrow with representatives of its 15 largest creditor banks to outline long-term plans to restructure its \$12bn debt. At this meeting, O&Y will for the first time present a five-year business plan.

The Santa Fe sale, which is likely to raise about \$400m, is

meant as a signal to O&Y's banks that it is willing to make some sacrifices in its debt restructuring by selling assets.

O&Y also disclosed that, besides the collapse of two Canadian commercial paper programmes totalling C\$800m (US\$672m) it has withdrawn plans for four real estate financings this year totalling US\$1.4bn.

As a result, the company said it would not pay interest totalling C\$7m on publicly traded bonds secured by First Canadian Place, its 72-storey flagship building in downtown Toronto. The interest payments were due on Monday.

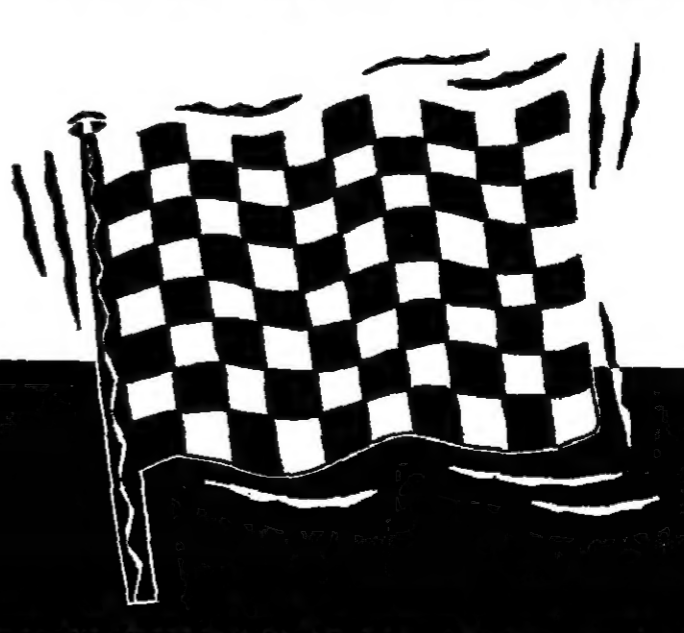
Trust indentures on several of the North American buildings, including First Canadian Place, require O&Y to reserve rental income for running expenses and debt-service payments.

The company said it was preparing proposals for the First Canadian Place bondholders which "it hopes will be satisfactory" to them and to their trustee.

O&Y has also failed to make a smaller interest payment due on floating rate notes secured by three Manhattan office buildings. A \$6m payment was made in April, several weeks after O&Y's liquidity crisis first surfaced.

O&Y debt plan, Page 25

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Public sector strike spreads ahead of talks German unions dig in

By Christopher Parkes in Bonn

GERMAN public sector unions yesterday responded to the prospect of peace with the greatest show of force so far in their nine-day national strike over pay.

More than 330,000 workers were called out as negotiators prepared for today's resumption of talks.

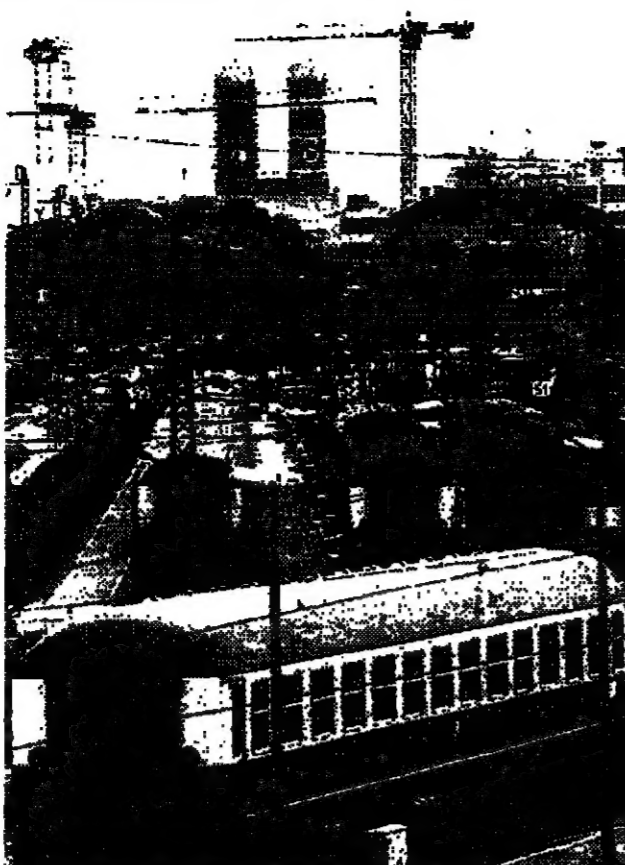
"The strike has worked," claimed Ms Monika Wulf-Mathies, president of the ÖTV union. "The employers have returned to the negotiating table on our terms."

Yesterday's promise from Mr Rudolf Seiters, interior minister and chief negotiator for the employers, to improve his previous "final" offer of a 4.5 per cent increase at today's talks was greeted with guarded optimism in most quarters. He is under orders from Chancellor Helmut Kohl not to send the wrong signals to other, private sector unions still negotiating.

Ms Wulf-Mathies warned again that the stoppages would continue until an acceptable result was achieved. Any deal must be approved by a 50 per cent "yes" vote in a national ballot.

Engineering employers, meanwhile, threatened to lock out workers staging further "warning" strikes in support of their 9.5 per cent pay claim. The fourth round of talks for the country's 4m engineers broke down without result yesterday and without any advance on the employers' opening 3.3 per cent offer. About 45,000 workers - 30,000 in Bavaria alone - joined in warning strikes.

Negotiations in the printing industry were formally broken off and token stoppages started



Commuter trains standing idle at Munich station yesterday

immediately. With 50,000 more members on strike than yesterday, the public sector unions brought Frankfurt airport, which normally handles about 100,000 passengers a day, to a complete stop. More than 950 flights were cancelled after fire service workers walked out.

While the airport lost an estimated DM5m in landing and take-off charges, the Lufthansa airline said it planned to sue for losses of up to DM40m. Air-

line officials said US airforce personnel should have been drafted in to cover.

Hundreds of buses queued at Düsseldorf airport to carry an estimated 8,000 package holiday trippers to waiting aircraft across the border in Brussels, Maastricht and Amsterdam.

The ÖTV said last night that the strike would be lifted at Frankfurt today, although action would continue at Berlin and Düsseldorf.

Opel to cut about 6,000 jobs

By Andrew Fisher in Frankfurt

OPTEL, the German subsidiary of General Motors of the US, plans to cut the production workforce at its main plant by around a third over the next five years in order to combat high costs and remain competitive.

GM said that it could now assemble some of its cars more cheaply in the UK than in Germany.

Opel said it intended to reduce the 18,000-strong car production workforce in Rüsselsheim near Frankfurt by some 6,000 people. The cuts of 1,200 a year would be achieved without redundancies, Mr Louis Hughes, the chief executive, said.

Opel, highly profitable in recent years, is the latest German producer to announce job cuts. Its main domestic rival, Volkswagen, has planned reductions of 12,500 people over the same period. Mercedes-Benz is considering reductions of 20,000 people in the next few years. BMW is shedding around 3,000 people in 1992.

Opel said its mid-range Opel Vectra model cost DM750 (£260) more to produce in Rüsselsheim than in the UK, where it is also assembled at GM's Vauxhall assembly plant at Luton, Bedfordshire. (The car is sold as the Opel Vectra in continental Europe and as the Vectra Cavalier in the UK). Opel said that compared with a comparable model from Japan, the cost of the German-produced Opel Vectra was DM2,500 higher, though the Japanese figure included total production costs against assembly costs only for the German plants.

Bavarian caught in a storm

Quentin Peel asks why Finance Minister Waigel is refusing to panic

S PARE A thought for Mr Theo Waigel, the bluff and cheerful Bavarian who has the thankless task of steering Germany's federal budget through the stormy costs of reunification.

Since he took over the job just three years ago, he has seen a nice tight budgetary ship of state, actually enjoying a marginal surplus, buffeted into a painful deficit which is variously estimated at anything from 3.5 per cent to 6.0 per cent of gross domestic product.

He admits the situation is uncomfortable, and calls for "iron savings", but he refuses to overreact to the more dire prognoses of deepening structural deficit in the German economy, threatening to drag down the entire European economy into a vicious high interest rate-slow growth spiral.

In the past 10 days, however, he has come under attack not only from his colleagues in the Group of Seven (G7) industrialised states, led by the US, but also from within his own government. Mr Jürgen Möllemann, the economics minister, the respected independent economic institute Ifo and the opposition Social Democrats are all questioning his assumptions, and therefore questioning his refusal to panic.

There are two lines of argument behind the criticism. One is that Mr Waigel and his Finance Ministry fail to include all public borrowing needs in their calculations, in particular the costs of the Trenhand privatisation agency in east Germany, the funds set up to service the inherited debts of the East German state, the German Unity Fund to subsidise the new federal states, as well as the additional spending

	FEDERAL GOVERNMENT NET BORROWING REQUIREMENT 1992-95			
	1992	1993	1994	1995
A Expenditure	422.6	428.5	438.8	449.2
Income	372.7	383.4	406.6	424.1
Net borrowing requirement	49.9	45.1	30.2	25.1
B Expenditure	424.1	434.1	446.8	449.2
Income	372.4	381.8	407.1	419.1
Net borrowing requirement	51.7	52.2	39.7	30.1
C Net borrowing requirement	52.0	52.0	55.0	55.0

A figures are the federal government's medium-term financial plan estimates, keeping expenditure growth at 2.5 per cent p.a. in order to achieve the net borrowing requirement by 1995. B figures are recalculated by Economics Ministry to allow for tax reform consequences between the federal government and the states, registered in February. C figures are estimates by Economics Ministry of net borrowing requirement based on "realistic" assessments of potential extra costs of unification, hitherto not included by Finance Ministry.

taken on by the German railways and telecommunications for the east.

The other argument is that his calculations of future costs are based on over-optimistic assumptions about compensation payments for environmental damage, for example, and modernisation of the east German housing stock.

The criticisms also cite a failure to provide adequately for other outlays: rising bad debts on trade with eastern Europe and the former Soviet Union, the need for more cash for east European economic stabilisation, and the demands for significant increases in the European Community budget.

The most embarrassing link came from the Economics Ministry last week. A much more gloomy forecast of future costs of unification suggested that without drastic cuts, the federal budget deficit alone would not be halved by 1995, from around DM50bn (£17bn) to DM25bn, but would actually rise to DM55bn.

Mr Möllemann took as his starting point Mr Waigel's medium-term financial plan for the federal budget (excluding transfers and local authorities) to 1995, agreed last year, which aimed at an annual increase in spending of just 2.3 per cent, against an income growth of 5.4 per cent per year.

First he questioned the underlying economic growth rate assumption: a real 2.5 to 3.0 per cent per year on average for 1991-95.

In actual fact the 1992

growth rate is only expected to reach 1.5 per cent for west Germany 6.0 per cent including the east on the basis of relatively optimistic assumptions: a successful conclusion of the Gatt negotiations, and moderation in the national wage negotiations, as well as international economic recovery.

He calculated that after the tax package negotiated in February between the federal government and the German states, the federal deficit would deteriorate appreciably (example B in table). Then he proceeded to list the "additional substantial risks, which are both difficult to quantify and to fix in any clear time-frame".

They include:

- New rules for compensation of indemnity yet to be agreed (original proposal for a fund authorised to borrow up to DM10bn);
- Environmental costs beyond the financial capacity of the eastern states;
- Additional cash for housing modernisation and rebuilding;
- Export credit guarantees bad debts, costing an extra DM1bn in this year's supplementary budget, and "showing a rising tendency, especially for the Commonwealth of Independent States."

- Costs of the Delors-II EC budget proposals, estimated by the Economics Ministry at an additional DM1.5bn in 1993, DM2.8bn in 1994, DM4.4bn in 1995;
- follow-up costs from the liquidation of the Trenhand at

the end of 1994, with estimated debts of around DM250bn - from 1995 an additional debt service cost estimated at around DM10bn.

All of which estimated as conservatively as possible in Mr Möllemann's ministry would more than double the 1995 federal budget deficit from DM50bn to DM100bn.

The conclusion of the paper is that spending growth will rise by 3.7 per cent a year to 1995, instead of 2.3 per cent as planned.

Debt service costs could total DM74bn that year, or 15.7 per cent of spending, rather than the planned DM46.4bn, or just 11 per cent.

When the spending of the states and the local authorities is included, this scenario puts the current deficit in 1995 at 3.3 per cent of GDP instead of the planned 2.5 per cent - outside the qualification criteria for Germany to join the European monetary union.

Overall public sector debt would total 55.3 per cent of GNP, against an official ceiling of 60 per cent - just inside, but potentially "critical".

The Social Democrats have been scathing about Mr Möllemann's figures, but only because they say he is a "slow learner": the opposition considers such potential extra burdens nine months ago.

Now the worthy Ifo institute has weighed into the debate, also questioning Mr Waigel's assumptions.

Its calculations suggest that if all sources of public borrowing are included, then overall public sector debt will rise from the DM1,700bn at the end of 1991 - 41.7 per cent of GNP - by some 70 per cent to around DM2,000bn by the end of 1995: coming to the same conclusion as the Economics Ministry, or 55 per cent of GNP.

It is nevertheless confident of one thing: to give Mr Waigel a little relief by the year 2000 overall debt burden of the German public sector may have risen to DM2,500bn, but the proportion will be down to 50 per cent of GNP.

With the current deficit forecast for the end of the century back below 2 per cent of GDP, the qualifications for EMU should be fulfilled - then.



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NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at the offices of Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes, MK9 2DF on Friday 8 May 1992 at 11.00 am for the purpose of hearing and voting on a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than noon on Tuesday 12 May 1992, written details of the debts they claim to be due to them from the Company; and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

(c) they have been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

27 April 1992. Signed: N R R Golden, Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes MK9 2DF.

NOTICE OF CREDITORS' MEETING under section 48(2) of the Insolvency Act 1986

Company No. 1811260 Registered in England

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NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at the offices of Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes, MK9 2DF on Friday 8 May 1992 at 11.00 am for the purpose of hearing and voting on a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than noon on Tuesday 12 May 1992, written details of the debts they claim to be due to them from the Company; and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

27 April 1992. Signed: N R R Golden, Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes MK9 2DF.

NOTICE OF CREDITORS' MEETING under section 48(2) of the Insolvency Act 1986

Company No. 1811260 Registered in England

RICHARDS SERVICES LIMITED (formerly Richards Services Limited) On Receivership

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27 April 1992. Signed: N R R Golden, Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes MK9 2DF.

Company Number 1856008, Registered in England and Wales

THORNTON ENGINEERING LIMITED - IN ADMINISTRATIVE RECEIVERSHIP

Principal place of business: Unit 3, The Parkway, Bush Park, Milton Keynes

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at the offices of Cork Gully, Central Business Exchange, Midsummer Boulevard, Central Milton Keynes, MK9 2DF on Friday 8 May 1992 at 11.00 am for the purpose of hearing and voting on a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

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27 April 1992. Signed: K R Morgan, 28 April 1992. For R M Addy Cork Gully Central Business Exchange Midsummer Boulevard Central Milton Keynes

Company No. 2280098 Registered in England and Wales

INSOLVENCY ACT 1986

RESOLUTIONS OF PAROCER LIMITED PASSED 6 April 1992

At an extraordinary general meeting of the above named company duly convened and held at Haydock Park Racecourse Conference Centre, Haydock Park Racecourse, Newton-Le-Willows, Merseyside WA12 0QD, on 6 April 1992 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution.

1. That it has been proved to the satisfaction of this meeting that the company cannot, by reason of its liabilities, continue to trade and that it is expedient to wind up the same and THAT accordingly the company be wound up voluntarily.

2. THAT John Frederick Powell and Mark Pallas, of Cork Gully, 43 Temple Row, Birmingham B2 5JT be and are hereby appointed joint liquidators of the company. Dated: 6 April 1992.

Barry Green - Chairman

At a meeting of creditors held on 6 April 1992 the creditors confirmed the appointment of J F Powell and M Pallas as joint liquidators.

Company No. 2280093 Registered in England and Wales

INSOLVENCY ACT 1986

RESOLUTIONS OF TEMPLEMAN SHOPFITTERS LIMITED. PASSED 6 April 1992

At an extraordinary general meeting of the above named company duly convened and held at Haydock Park Racecourse Conference Centre, Haydock Park Racecourse, Newton-Le-Willows, Merseyside WA12 0QD, on 6 April 1992 the following resolutions were passed: No 1 as an extraordinary resolution and No 2 as an ordinary resolution.

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2. THAT John Frederick Powell and Mark Pallas



UN armoured cars sent to pick up Mr. Murrack Goulding once through Sarajevo after coming under heavy fire

Goulding reaches Sarajevo after being trapped at military base

UN envoy delayed by snipers

By Laura Silber in Belgrade

UNITED NATIONS special envoy Murrack Goulding reached Sarajevo, capital of Bosnia-Herzegovina, yesterday after being trapped at a military base for several hours at a helicopter base outside the city.

He was escorted into Sarajevo by General Sir John Hume, commander of UN peace-keeping forces, who had driven out to try to escort him into the city for talks with President Alija Izetbegovic.

Mr. Goulding's mission to assess the feasibility of sending a peace-keeping force to the republic coincided with an ultimatum from the largely Muslim Bosnian militia to the Yugoslav federal army to withdraw from the capital by midnight tonight. The ultimatum was issued after European

Community monitors appeared to have failed to arrange a meeting between army and Bosnian leaders.

The continuing violence forced 25 monitors to withdraw from Sarajevo, leaving a nine-member crew, including Mr. Colin Doyle, an Irish army major and the special envoy of Lord Carrington, chairman of the EC conference on Yugoslavia. Mr. Doyle called the army's bombardment of Sarajevo "totally unacceptable".

Stepping up the mutual recriminations, the Bosnian Defence Forces accused the army of "unleashing a merciless bombardment" from its barracks in the city, and from the military hospital. The army retorted that the barracks were under siege by Bosnian forces.

In an apparent effort to stave off international criticism, the presidency of the new Serb-

dominated Yugoslavia ordered its citizens - Serb and Montenegrin soldiers and officers - to withdraw from Bosnia within 15 days. However, the call was rhetorical since more than 80 per cent of 80,000 federal soldiers stationed in Bosnia are Bosnian Serbs.

In Sarajevo, puffs of smoke streamed out of buildings set ablaze during 22 hours of continuing shelling by the federal army. Sarajevo radio said the streets were littered with corpses but casualty figures could not be confirmed. Fighting was also reported in other parts of the republic.

The Muslims are backed by Croats who have joined forces against the Serbs and the federal army in a battle for control of strategic parts of Sarajevo. But the Muslim-Croat coalition which supports Bosnian independence looks frag-

ile. Serb leaders hinted yesterday that Serbia and Croatia could reach agreement on dividing Bosnia-Herzegovina, leaving Muslims without a homeland.

Mr. Tomislav Sipovac, a member of the government of the self-proclaimed Serb republic of Bosnia, which does not want to belong to an independent Bosnia, was quoted by Tanjug as saying: "There is very little difference between the Croat and Serb positions... We can very quickly make an agreement... because we have no territorial disputes."

Mr. Franjo Tudjman, president of Croatia, was quoted in Politika, the Serbian daily, as saying Bosnia could survive as an independent state only if the republic was divided on a confederal basis into three ethnic units.

Hungary eases sale of state companies

By Nicholas Denton in Budapest

HUNGARY yesterday launched a scheme giving consultants free rein to sell medium-sized state companies.

Under the "simplified privatisation" plan, the state is devolving to private consulting firms responsibility for 278 of the country's 2,000 state companies, with an estimated total book value of Ft70bn (€493m).

Each company will have to choose a consultant from a list of about 130 which will then privatise the company as it sees fit.

The fees - a percentage of the sale price on success - are structured to give incentives to achieve rapid and fully-priced sales and as a deterrent against corruption.

The scheme, announced by Mr. Tamas Szabo, privatisation minister, came after the success of 437 trial privatisations of the smallest state enterprises.

The authorities say the method will become the main vehicle of Hungarian privatisation as ever larger state companies are included.

Simplified privatisation comes in reaction to the failure of centralised programmes, which have been crippled by lack of staff, political infighting and government inflexibility.

The flagship "First Privatisation Programme", launched in 1990 to sell 20 of Hungary's most attractive companies, has run into the ground and only two significant transactions have been concluded.

Crimea raises tension with independence declaration

By Chrystie Freeland in Simferopol, Crimea

THE parliament of Crimea yesterday declared independence in a move which is expected further to inflame the dispute between Ukraine and Russia over who should have control over the peninsula and the Black Sea Fleet which is based there.

Crimea's declaration of independence from Ukraine does not mention Russia, but leading separatist politicians do not conceal their hope that the Crimea, which has a 80 per cent ethnic Russian population and only became part of Ukraine in 1954, will eventually join Russia.

Hundreds of jubilant demonstrators ringing the parliament cheered and waved the Russian flag when a majority of Crimean deputies backed the declaration, which will come into force if confirmed by a referendum scheduled for August 2.

The struggle between Ukraine and Russia over the Black Sea Fleet has been a

proxy for conflicting claims to the picturesque peninsula which was annexed to the Russian empire by Catherine the Great but used to be home to hundreds of thousands of Crimean Tatars. More than 200,000 were exiled by Stalin in 1944 but many are now moving back to find that their old homes and land have been taken over by Russians and Ukrainians who have dotted the coastline with dachas and retirement homes.

"For Crimea, this means difficult days ahead," said Mr. Nikolai Bagrov, chairman of the Crimean parliament. Exhausted by the day's passionate and anarchic debate, Mr. Bagrov acknowledged that the decision could lead to "a sharpening" of the Ukrainian-Russian conflict.

The declaration's announcement of "the creation of a sovereign state, the republic of Crimea" is intentionally open to various interpretations. Deputies chose the weaker of two words meaning "independence", which can be trans-

lated as "self-determination", and voted to begin negotiating with Ukraine immediately.

The referendum could thus be the first step towards eventual reunification with Russia or simply a bargaining chip to wrest greater autonomy from Ukraine. Whatever the interpretation, it is a defeat for the Ukrainian government which sought to forestall a referendum by offering Crimea extensive autonomy. Crimean MPs were not appeased and many said they feared the Ukrainian government intended to discriminate against Russians.

Mr. Volodymyr Flenko, a member of a Ukrainian parliamentary delegation which observed the debate, said one possible response from the Ukrainian government would be to dissolve the Crimean parliament. The Crimean decision is likely to hasten the Russian parliament's plan to consider the legality of the transfer of Crimea to Ukraine, a move Ukrainian politicians have said they would view as tantamount to a declaration of war.

Five killed in Tajik clashes

PRO-GOVERNMENT and opposition militia clashed in the former Soviet republic of Tajikistan yesterday. The opposition said at least five people had been shot dead. Kestler reports from Dushanbe.

Forces supporting the conservative government fired on opposition guardsmen at a checkpoint in the Lenin district, about 12 miles outside the capital. A Reuters correspondent saw the corpses of two young men lying in the city's main mosque.

A foreign ministry spokesman said opposition activists had fired on a pro-government rally late in the afternoon, killing one demonstrator. Opposition militiamen said at least two other corpses had been taken to hospital.

Muslim and liberal opponents of the conservative government have been demonstrating for five weeks in different parts of Dushanbe.

But yesterday's shooting, amid pouring rain in and near the capital, was the first serious violence in what has largely been a standoff.

Opposition groups demanded, and secured, several concessions, including the resignation of the parliamentary chairman, Mr. Safarali Kenjayev, seen as the power behind President Rakhmon Nabiyev's leadership. But he was appointed to the post of security chief last week, sparking fresh protests, and was given back his job of chairman at the weekend, enraging anti-government protesters.

Swiss wonder if it's safe to get into the water

Some see IMF and World Bank entry as little more than leaping in with the sharks, writes Ian Rodger

EVERY FEW months, an orderly row of campaign posters appears in the main squares of Swiss towns and cities signalling the start of campaigning for another round of plebiscites.

Among those erected last week in preparation for votes on May 17, one stands out from 100 others. It features the unmistakable and terrifying image of a shark's open mouth. "Down with the murderous tactics of the finance sharks across the alpine beside the great bear. The reference, it turns out, is to the International Monetary Fund and the World Bank.

Opposition to Switzerland joining these institutions is strongly felt, it seems. And, by all accounts, the referendum result will be a close one, with the odds slightly in favour of rejection. This would be a serious blow for the government in view of other plebiscites due in the next few months on whether Switzerland should move towards joining the European Community.

The campaign is also remarkable for bringing together the most unlikely bedfellows - left-wingers and Greens who feel IMF and World Bank policies towards third world countries are too brutal, and conservatives who think Fund membership fees are a waste of money.

"The IMF is interested only in keeping third world countries stable so they can pay back their huge debts to the west," says Mr. Roland Brunner, a member of the left-Green action committee opposing membership. "There is no advantage for the third world

in the way the IMF works, lending them money to pay interest on the massive debts they already have."

On the right of the political spectrum, there is no complaint about IMF policies. The issue is a more practical one. "The cost of joining is money thrown out of the window," says Mr. Jürg Scherrer, president of the Automobile Party, a fringe group known mainly for wanting fewer controls on the finance sharks and more on immigrants.

"At the moment, we are participants in the IMF's projects when we choose to be," he says. "We can look at each project on a case-by-case basis. If we were a member, we would have only one vote and it would make no difference."

Mr. Scherrer recalls that the suggestion that he is in league with the left in this battle. "We are certainly not collaborating with the Green party on this. Our reasons for opposing membership are totally different from theirs."

The federal government, which strongly favours joining the IMF and World Bank, has pulled out all the stops in advocating its case. In late March, it trotted out the foreign, finance and economic ministers, and the central bank president, to emphasise the importance of Switzerland playing a full role in international institutions.

Mr. René Felber, foreign minister, said Switzerland's observer status at the IMF and the World Bank was proving more and more inadequate and would become increasingly meaningless.

The president of the Swiss National Bank, Mr. Markus

Lüsser, said IMF membership would cost only about SF400m (€14.8m) a year in the interest revenue - that Switzerland would lose by having to deposit money with the fund at below market rates. "We are one of the world's richest countries," he said. "This good fortune makes us duty bound to help other countries."

Mr. Otto Stich, finance minister, rejected arguments that the tough conditions the IMF attached to its aid to developing countries hurt the poorer sections of their populations. "The IMF is not the cause of such circumstances. It is called in as an emergency doctor," he said.

While all four parties in the governing coalition officially support the government's stance, there are mavericks, the most important of whom is Mr. Christoph Blocher. Charismatic leader of the conservative Swiss People's Party in the Zurich canton, Mr. Blocher shares the views of the Automobile Party, and has nothing but disdain for federal officials' desire to join. "They just want to be members of the club."

Both sides admit the result of the voting is uncertain. Mr. Scherrer recalled that the voters had turned down a proposal to join the United Nations as recently as 1986. He also pointed to the over-stretched federal budget.

A leading Zurich banker said the decisive factor would probably be the traditional reluctance of Swiss voters to approve any spending for which they could not see concrete results.

Fly Emirates.

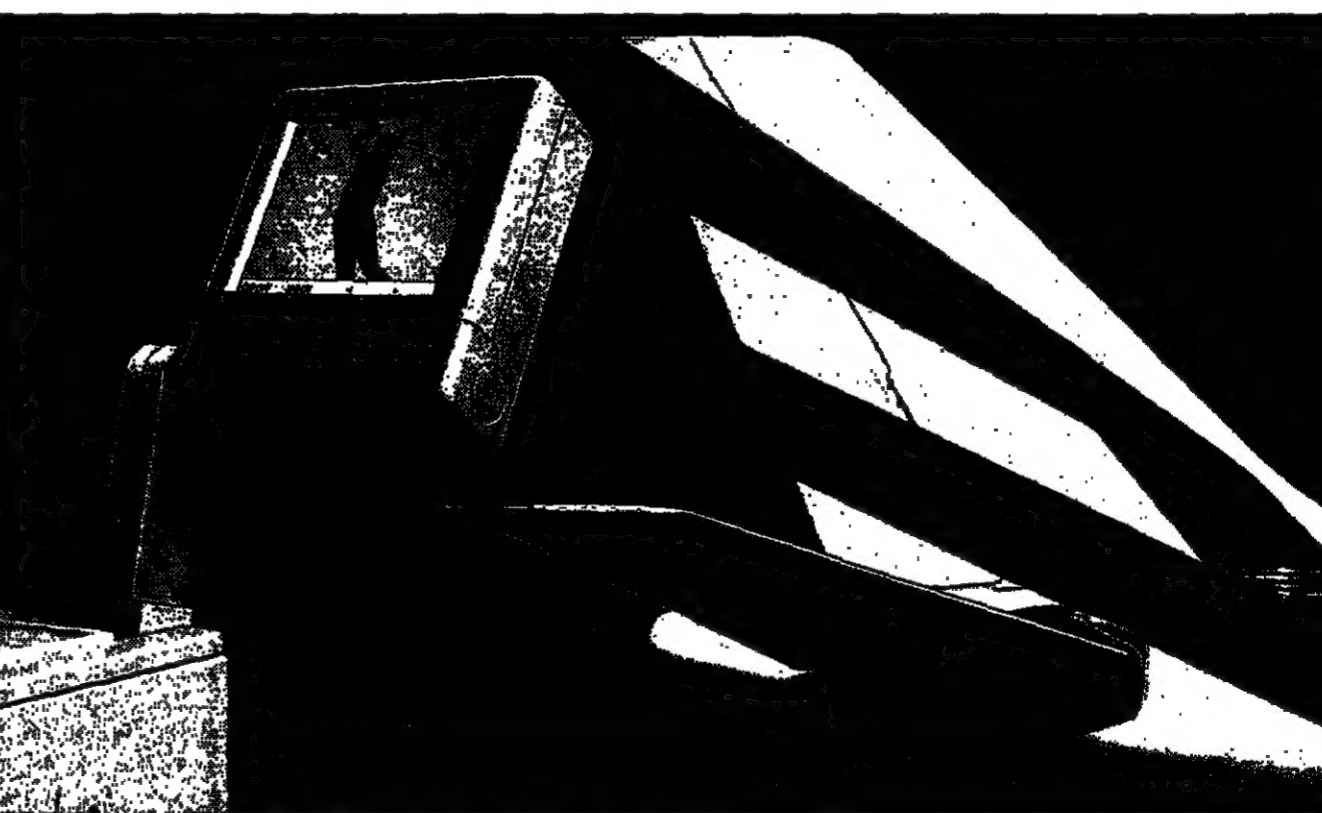
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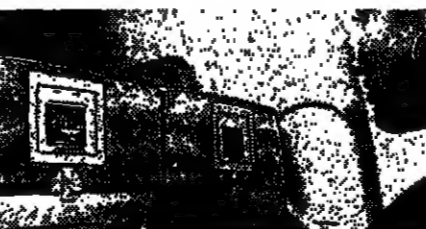
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is the first airline in the world to install a personal in-flight video system in all three classes, and we will have our entire Airbus fleet fitted by the end of Summer 1992.

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NEWS: EUROPE

EC agrees joint strategy for Rio Earth Summit

By David Gardner in Brussels

THE European Community yesterday agreed to commit itself to a near doubling of development aid to the third world, but it still can not agree on the timing.

Environment and development ministers of the 12 also agreed a joint strategy to present to next month's Earth Summit in Rio de Janeiro. This would be fed into the Convention on Climate Change and has included in it the possibility of an energy tax to combat carbon dioxide emissions.

However, Mr Carlo Ripa di Meana, EC environment commissioner, denounced the latest draft of the UN-sponsored compromise on the global warming convention as "a sell-out" designed to accommodate the US, which is reluctant to commit itself to emission reduction targets.

The EC has agreed to stabilise CO₂ emissions at 1990 levels by the year 2000, and the Commission is expected next week to approve a mixed carbon-energy tax of up to the equivalent of \$10 (\$5.80) on a barrel of oil.

It hopes the 12 will back the tax in principle just before the

Rio summit, although it recognises that many member states would be unwilling to risk damaging the competitive position of their industry unless the US and Japan were willing to use similar instruments to reduce emissions.

The Commission also wants to swing the EC behind an Argentine and Brazilian proposal for a global carbon tax equivalent to \$1 per barrel of oil, the proceeds of which would go to developing countries to help them install energy-efficient and environmentally friendly technology.

Only France, the Netherlands, Denmark and Italy were yesterday prepared to commit themselves to reaching the agreed aid target, of 0.7 per cent of gross national product, by the year 2000, the emissions stabilisation target date. The UK, Germany and Belgium wanted a less-binding "as soon as possible" target, while Spain, Ireland and Greece shied away even from this. A joint position is expected to be agreed either by finance ministers on May 19, or when environment ministers meet, on May 26.

World Bank figures for 1989 show average EC official devel-

opment aid totalling 0.43 per cent of GNP, against 0.32 per cent for Japan and 0.15 per cent from the US. The UK's effort was 0.31 per cent of GNP.

Neither the US nor Japan are prepared to make specific commitments to reaching the 0.7 per cent target - recommended more than a decade ago by the UN - by 2000. The UN believes that if all industrialised countries adopt the target, this will provide an extra \$50bn for LDCs, in addition to the \$35bn official aid now received.

The aid issue is linked to the climate convention's chances of success. As one UK official put it, the developing countries "want their quid for our quid," money and a firm commitment by the industrialised countries to reduce the more than three quarters of global CO₂ emissions they are responsible for.

Mr Ripa di Meana said the latest UN draft on the convention was "so full of loopholes" that it was "completely unacceptable". Asked whether flexibility was not an acceptable price to get the US on board, he forecast that the draft's enumeration of possible exemptions would "lead to a bitter North-South clash" at Rio.

Two more charged with corruption in Milan

By Robert Graham in Rome

TWO LEADING figures in the Italian construction industry were yesterday added to the lengthening list of those charged in connection with the two-month-old Milan corruption scandal.

Magistrates ordered the arrest on corruption charges of Mr Mario Lodigiani, vice-president of the construction company of the same name, one of the country's best known, and Mr Roberto Schallino, formerly technical manager of Cogefar Impresit and chief executive of Iacrossi, a Milan general contractor.

Six prominent people involved with the Milan construction business have already been charged on various counts of corruption. The latest arrests confirm that Milan magistrates are beginning to allege a direct link between the large number of public works contracts awarded in the city over the past decade and an elaborate system of pay-offs also involving the funneling of funds to political parties.

Italy's overall balance of payments deteriorated sharply in the first quarter, according to official figures.

The 1.737bn deficit compares with a 1.777bn surplus during the same period last year. The deficit has been blamed on a big rise in capital outflows and a decline in the level of inflows, especially in March, the month before the general election.

Bérégovoy rules out Maastricht rethink

By Ian Davidson in Paris

MR Pierre Bérégovoy, French prime minister, yesterday called for a "great movement of national agreement" as he opened the National Assembly debate on the ratification of the Maastricht treaty.

Amid catcalls from right-wing Gaullist members, he promised the government would be receptive to detailed amendments during this week's parliamentary debate. He said the National Assembly would in future be fully consulted throughout the transition towards economic and monetary union, scheduled towards the end of this decade.

But he made clear that there could be no question of renegotiating the Maastricht treaty, warning that if parliament seemed likely to obstruct the necessary constitutional revisions the president would put the revisions before the electorate in a referendum.

"If there is any risk that the reform might be buried," he said, "we shall go to a referendum. I should regret it, but if a referendum is necessary, neither the president nor the government fears the result of an appeal to the people."

Mr Bérégovoy rejected opposition arguments that the single European currency would mean the abandonment of French independence. On the contrary, he said, the EMU system would strengthen French influence over economic policy.

Mr Roland Dumas, the foreign minister, followed the prime minister at the rostrum of the National Assembly, with a strong plea for a more politically united Europe.

"The question is simple," he said. "Do we want a European foreign policy to be conceived and implemented in Nato? Or are the 12 big enough to harmonise their policies so as to stand as a great power? The answer is clear and obvious."

Brussels wins backing for seat on energy agency

By Andrew Hill in Luanda

THE European Community should have a full seat at the International Energy Agency (IEA), one of the agency's directors said yesterday.

The European Commission is attempting to persuade the 12 EC member states that it should be allowed to speak for them at the IEA, the Paris-based agency co-ordinating energy crisis management pol-

icy for OECD countries.

Mr Quincey Lumsden, IEA director responsible for oil market developments, told an oil and gas conference in Luanda, capital of Angola, he hoped the Community would have a seat in its own right, stressing this was a personal view. Commission officials said his comments would strengthen its hand in talks with EC members. If the 12 agree, accession to the IEA should be a formality.

NEWS: AMERICA

Bush to visit riot-torn Los Angeles

By George Graham in Washington

PRESIDENT George Bush will fly to Los Angeles today to visit the devastated South Central area where riots killed 58 people last week.

Mr Bush met cabinet advisers and congressional leaders yesterday to work out his administration's plans for rebuilding the shattered city, where he is expected to stay until Thursday night.

Los Angeles remained calm yesterday after three days and nights of burning and looting, and schools and businesses returned to near normality.

No serious incidents were reported on

Monday night despite Mayor Tom Bradley's decision to lift the dusk to dawn curfew that he had imposed last Thursday. Soldiers in battle dress continued to patrol the streets, however.

Gun shops replaced video stores - which experienced peak demand during the curfew - as the most popular stores. But ammunition sales remain restricted in Los Angeles, and gun purchases in California are subject to a 15-day waiting period.

Police said many of those who took part in the pillaging of shops last week were now returning their booty or leaving it out on the street.

Cardinal Roger Mahoney's appeal for

looters to return goods to Roman Catholic churches has found a strong response, and police indicated they were offering an informal amnesty to those who voluntarily returned their loot.

"If they tell us, they get a free ride. If we find them, they get arrested," said one police officer.

Arrests are limited, however, for the city's jails are already overflowing and its police courts working overtime to deal with the more than 9,000 people arrested during the rioting.

The costs of containing the rioting and cleaning up afterwards have put a new burden on the already strained

finances of Californian state and city authorities.

Besides damage to its own property, the city of Los Angeles is estimated to face a bill of more than \$12m (\$6.7m) for police and firefighters' overtime pay. San Francisco and Berkeley city officials also said they faced extra costs.

The greatest cost, however, is likely to come in the shape of falling revenues from property taxes levied on the damaged areas.

State Senator Art Torres, who represents parts of Los Angeles, suggested a temporary increase in the state sales tax to raise about \$750m and help pay for the cost of rebuilding.

Kohl warns there is no 'rational alternative to continuous support'

Appeal for more US aid to east

By Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl of Germany yesterday made an impassioned appeal for more US help for the crumbling economies of eastern Europe and the former Soviet Union.

"If the new democracies are left to cope alone with their difficulties, then there could be a new flood of refugees to the west and other uncontrollable political developments," he warned in a speech prepared for the annual congress of the American Newspaper Publishers' Association in New York.

"The west has no choice. There is no rational alternative to comprehensive and continuous support," Mr Kohl added. Germany, meanwhile, was already committed to DM105bn (\$35.7bn) in aid and had reached the limits of its ability to help.

The issue would be "right at the top" of his agenda at the Group of Seven world economic summit planned for Munich in July.

By 1945 the US government had learnt from the mistakes of President Woodrow Wilson, who withdrew from Europe after the First World War.

America's success story in post-war Germany should now



Ross Perot, presidential hopeful, jokes with reporters after a speech to the American Newspaper Publishers' Association in New York

The current situation in eastern Europe was comparable with the "great upheavals" which followed the First and Second World Wars, he said, pointing to the "dangerous expansionist tendencies" in countries like the former Yugoslavia.

By 1945 the US government had learnt from the mistakes of President Woodrow Wilson, who withdrew from Europe after the First World War.

America's success story in post-war Germany should now

be a model for its policies towards former Cold War enemies in the east, the chancellor said.

"We Germans are experiencing in our country just how difficult the task is. In spite of enormous transfers to the former GDR the process of growing together is not progressing either as quickly or as free of friction as we would wish," Mr Kohl said.

George Graham adds: Mr Ross Perot, the Texas businessman who is seeking to

enter the US presidential elections as an independent candidate, complained yesterday of a dirty tricks campaign by the Republican party to discredit him, and said he would stop most of his public appearances over the next few weeks so he could work out where he stood on policy issues.

Mr Perot, who is best known for his \$3bn (\$1.6bn) fortune, was speaking at the American Newspaper Publishers' Association congress in New York yesterday.

Argentina to privatise nuclear power plants

By John Barham in Buenos Aires

AN announcement by Mr Domingo Cavallo, Argentina's economy minister, that he intends to privatise part of the country's nuclear power industry has run into stiff opposition.

The minister has said he wants to sell two nuclear power stations next year to raise money to fund the completion of a third nuclear gen-

erator. His plan focuses on the 357MW Atucha I unit close to Buenos Aires and the 648MW Embalse plant in the central province of Córdoba.

The money raised from the sale would be used to complete the 750MW Atucha II unit, which has been delayed for almost 10 years.

It is being built largely with local technology and is already 61 per cent over budget - the government has spent \$2bn (\$1.1bn) on the plant, with

completion costing a further \$800m.

However, Mr Eduardo Bauzá, President Carlos Menem's chief of staff, has warned that private operators could not be relied on to provide sufficient security and safety precautions. The Atucha I plant has suffered a series of accidents and systems failures, although the National Nuclear Energy Commission, which operates the station, insists that safety has never been threatened.

Staff at the plant are reported to have attacked Mr Cavallo's idea, claiming that reducing the state's role in the industry was further evidence of Argentina's submission to the US.

Washington has voiced concern that Argentina's nuclear technology is being leaked to "unreliable" regimes such as Iran.

Last month Argentina introduced new export controls, restricting the sale of sensitive technologies.

Cuba's foreign investment dealt blow

By Damien Fraser in Mexico City

FIDEL Castro's attempt to rescue Cuba's battered economy through foreign investment was dealt a blow yesterday when 11 Cuban exile groups, representing all shades of exile opinion, said that were they to come to power "these [foreign] investments would be considered as state property and disposed off accordingly".

In an open letter to foreign investors, the 11 groups said these investments "serve to prolong the tragic situation of our country and its people".

"It is our position," said the letter, "that investments made in Cuba under the present circumstances should not benefit from any laws passed by a future Cuban government for the protection of private property."

"Investors must consider that in many cases, joint ventures or agreements are being entered into with entities or organisations which almost certainly will cease to exist."

Canadians approve new Arctic region

About 27,000 voters in Canada's Northwest Territories have narrowly approved the setting up from 1998 of the region of Nunavut, a vast area including most of the eastern Arctic. Robert Gibbons reports from Montreal. It is seen as the first step toward creating a homeland for the Inuit.

Most of the inhabited Arctic islands are included in Nunavut, but the Beaufort Sea remains in the western NWT.

Mr Robert Bourassa, Quebec's premier, is returning to the constitutional negotiating table with a four-day visit to western Canada and direct talks with the four western premiers.

He wants to put a federal constitutional offer before Quebec voters this autumn, rather than hold a referendum on Quebec's sovereignty.

He is now trying to ensure the offer will be at least as generous to Quebec as Ottawa's Meech Lake proposals, which failed to get unanimous provincial consent in 1990.

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DG BANK

Southern EC states fight plan to end tied aid

By David Buchan in Brussels

SOUTHERN EC states have strongly opposed a European Commission proposal, backed by the Dutch, for the Twelve to remove the restrictions tying much of their national development aid to the purchase of goods and services within their own countries.

The first serious debate for many years by EC aid ministers on the controversial issue of "tying" development assistance ended on Monday night, with France, Spain and Italy stoutly opposing any weakening of the "national procurement" restrictions still attached to some \$10bn of aid that EC states give the Third World each year.

The southern trio argued that, while untying aid might give developing countries better value for money if they could shop around the EC for the best deal, it would effectively decrease the overall level of aid because taxpayers in one EC state would not want to see aid-related contracts going to the industry of another EC state.

The Commission proposals

won full backing only from Mr Jan Pronk, Dutch aid minister, who had commissioned them when the Netherlands held the EC Council presidency last autumn.

Lady Chalker, UK aid minister, with some German and Danish support, suggested a gradual untying of aid. In the end, ministers asked the Commission to make a further study, but the EC executive seems unlikely to come up with a formal draft directive to abolish tied aid, as Mr Pronk has urged.

This week's debate showed that France, Italy and Spain form a clear blocking minority in the EC Council.

EC aid, via the Community and national budgets, amounted to \$26.7bn in 1988, but this does not include relatively small amounts from Greece, Luxembourg, Spain and Portugal which do not belong to the OECD's Development Aid Committee.

About 60 per cent of the total is untied, including money channelled through Brussels to some 70 developing country members of the EC's Lomé Convention.

Israel extends its arm to tie up central Asian links

Following success elsewhere, the Jewish state finds open doors in unlikely places, writes Hugh Carnegie

TURKEY and Iran attract most of the headlines in the battle for influence in the central Asian republics of the former Soviet Union. But Israel has wasted little time in establishing links it hopes will blossom into lucrative trade.

The Jewish state is anxious that the Moslem republics should not line up against it with fellow-Moslem Arab states and Iran, the most strongly anti-Israel state in the region. It has moved quickly to establish official relations with five of the six republics - Kazakhstan, Uzbekistan, Azerbaijan, Tajikistan and Kirghizia - but not Turkmenistan, and may soon have representative offices in the first two.

To underpin the diplomatic relationship - and establish a foothold in what is seen as a big potential export market - there are efforts to build trade links. It is a pattern Israel has followed in the past in regions such as South America and Africa and recently in China.

As many as 18 Israeli companies are said to have visited Kazakhstan, with at least three "doing serious business". Israel was one of the first countries to be put on a direct-dial telephone link by Kazakhstan.

Several Kazakh government delegations have been to Israel

in recent weeks, including one led by the agriculture minister which held talks with Mr Yitzhak Shamir, the prime minister, and was given lavish treatment. The Kazakh prime minister is expected this month.

Similar links have been established with Tajikistan, Azerbaijan and Uzbekistan. In a typical Israeli scheme, cotton yields at a farm in Uzbekistan were reported to have increased by 40 per cent on one-third of previous water consumption in one season through improved irrigation techniques.

Mr David Kimche, a former director general of the foreign ministry who specialises in fostering delicate relationships such as that with China, has been building contacts in the central Asian republics in recent months. He says he has found "no hesitation" among them in forging links with Israel.

In South America, Africa and China, much of what Israel has offered has been military supplies. In public at least, the emphasis in central Asia has been on the republics' outmoded agriculture and communications systems - both areas Israel reckons it is ideally placed to upgrade.

"They believe we have a lot



Uzbekistan harvest in Soviet days: now Israel is helping raise yields

to offer in agricultural technology and food production," said Mr Kimche. He said there was interest also in studying the experience of Israel's collective - but independent - Moshavim farms. Although these farms have been in difficulties, the Asian republics are said to be thinking of using the Moshav model in scaling down their huge collective farms left over from the Soviet era.

The risk for Israel is that the current secular-oriented regimes it is now getting close to will be replaced later, perhaps by more militantly

Islamic governments. But that has not deterred the drive into the republics.

One Israeli company which has signed agreements for four projects in Kazakhstan is Merhav, part of an Israeli-owned international private group Metropolitan Investments Corporation. With widespread experience in debt settlement, project development and trading in regions such as South America and Africa, it has taken the plunge in central Asia enthusiastically.

The four turnkey projects to refurbish outdated agricultural

systems signed in January - one in cotton and one in tomato production are already underway - have a total value of \$85m. But, as Mr Yosef Maiman, the company chief, admits, the deal is a calculated risk. It was concluded with the Kazakh government in three days in mid-February, barely a month after first contacts were made.

"You have to take decisions on the spot. A lot goes on intuition and you have to be fast to implement. We started ordering millions of dollars worth of equipment before the deal was

finalised," said Mr Maiman. Merhav has had to spend a lot of money to get the projects moving. It has established a 25-person office in Alma Ata in Kazakhstan. Getting equipment shipments to the distant, landlocked republic has been a logistical nightmare. The company uses its own private jet and charter flights to speed things up. In early April, a 14-truck convoy was sent back to Turkey from Iran causing a 20-day delivery delay.

Only a "small part" of the price is paid in hard cash. For the rest, Merhav gets to pick from a Kazakh list of commodities which, like a menu in a flagrant restaurant, has fewer items available than it first appears. Cotton and tomato paste will make up some of the payment, says Mr Maiman.

But he insists Merhav will make money on these initial projects and foresees future business for Merhav in Kazakhstan of up to \$100m a year.

"Yes, there is a particular value for Israel to be in a predominantly Moslem republic which has natural resources Israel may need over time," Mr Maiman says. "But we are a business operation aiming to penetrate a market and to be profitable doing it. We wouldn't have got into it otherwise."

France abandons air agreement with US

By Alice Rawsthorn in Paris

THE ROW between France and the US over Franco-American air capacity has come to a head with the French government announcing it has abandoned the 55-year-old agreement on transatlantic air traffic.

France has for months been fighting the US over its proposals to increase its transatlantic routes. Unless the two countries can strike a compromise, there is a risk of serious disruption to flights between France and the US, although the French transport ministry said there will be no immediate break in services.

The reason for the dispute is a proposal by the US Trade Department to increase the

volume of traffic from eight American airlines to and from France by 35 per cent this year.

The French government has also recently been in dispute with Washington over other trade issues, notably the farm subsidies in the General Agreement on Tariffs and Trade.

In the air capacity dispute, France says the increase should be limited to 15 per cent. Air France has campaigned strongly to limit the increase in transatlantic US traffic. The airline, which makes about 15 per cent of its annual sales from transatlantic flights, is concerned that the profitability of its routes would come under pressure if there were greater competition from US airlines.

Russia to trade factory plant for Chinese food

RUSSIA plans to trade machinery, aircraft and factory equipment for Chinese food and consumer goods under a pact on economic ties for 1992 signed in Beijing yesterday, Reuters reports from Moscow.

The protocol, according to the Inter-Tass news agency, specified the volume of goods that the two will supply to each other through direct trade, local deals over the border, barter and exchange agreements and other means.

Olivetti in McDonald's deal

Olivetti, the Italian computer and office equipment group, is to supply point-of-sales computer technology to the McDonald's fast food group in the US in an agreement worth over \$300m.

The order, won against competition from IBM, Panasonic and NCR, is Olivetti's biggest contract from the US and one of the largest deals in its history. Under the plan, eight or nine Olivetti personal computers will be installed in each of McDonald's 6,800 US outlets, which will be linked via local area networks.

The deal envisages the installation of more than 50,000 computer workstations, along with a variety of peripheral equipment.

GPA nears Ukraine agreement

GPA, the Irish-based aircraft leasing company, is negotiating a \$400m deal with the new Ukrainian government to re-equip its national airline with between five and seven modern narrow and wide-bodied jets, reports Tim Coome from Dublin.

Mr Leonid Kravchuk, the Ukrainian president, met senior GPA executives at the company's Shannon headquarters yesterday during a stopover en route to the US.

Negotiations are apparently at an advanced stage with two other republics in the Commonwealth of Independent States (CIS) to supply one Boeing 757 and one 737 on leasing contracts. Lithuania and Hungary have already received nine jet aircraft from GPA.

ABB wins turboset contract

Asea Brown Boveri, the Swedish-Swiss engineering group, announced yesterday that it had secured a \$100m contract from the German company VEAG to design and supply two turbosets with a total output of 1,800MW for a power plant to be built at Boxberg in Saxony, writes Robert Taylor in Stockholm.

The first turboset is scheduled to supply electricity from mid-1996 and the second from six months later.

The order for ABB follows one worth \$50m a few weeks ago for the same Saxon plant. The contract will be carried out jointly with ABB Bergman Borsig of Berlin.

Record exports for Taiwan

Taiwan's exports last month totalled a record \$7.25bn, bringing the value of exports so far this year to \$28.3bn, according to finance ministry figures released on Monday, Luisa Mudi reports in Taipei.

The March figure represents an increase of about 29 per cent on the same month last year.

The US remained the largest importer of Taiwanese exports, accounting for 26.4 per cent of the total and running a \$700m trade deficit which increased by 135 per cent year-on-year. Exports to Taiwan's second largest market, Hong Kong, reached \$1.5bn in March, an increase of 65 per cent on last year. In spite of a 13 per cent increase year-on-year in exports to Japan, Taiwan's deficit with Japan still increased by \$100m.

Noranda sells technology

Noranda, Canada's biggest resource group, has sold its continuous copper smelting technology developed for its Quebec smelter to the China National Non-ferrous Metals Import & Export Corp. Robert Gibbons writes in Montreal. The process reduces sulphur dioxide emissions and has already been sold to smelting companies in the US and Australia. The Chinese will incorporate it in the Da Ye copper smelter in south western China.

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US steps up threat to seize Iraqi assets

By Mark Nicholson
Middle East Correspondent

WASHINGTON has stepped up its threat to seize Iraqi assets on a proposal to appropriate frozen Iraqi assets to pay for humanitarian needs and United Nations programmes in the country.

The US is pressing Britain and France to consider framing a Security Council resolution to enable the spending of some of the \$5bn in Iraqi overseas assets frozen since the August 1990 invasion of Kuwait.

Washington's renewed vigour in pursuit of the assets, which has been in the air for some weeks, is aimed at forcing Baghdad into accepting the terms of a UN-permitted sale of \$1.5bn worth of Iraqi oil to buy food and medicines. A western diplomat in New York said: "Iraq is being told, either do a deal with the UN, or we'll spend your assets."

Talks between Iraq and the UN on a limited sale of oil have remained deadlocked, with Iraq maintaining that the UN supervised terms for the sale, and for spending the revenues, are an unacceptable abrogation of its sovereignty.

Mr Abdul Razzak al-Hadi, Iraq's oil minister, said at the Opec summit last month that an agreement on the oil sale could take only "a few days" to work out, but no date has been set for further talks and oil

analysts believe Iraq is unlikely to resume any oil sales before the end of this year.

Mr Ajmal Amir al-Abnari, Iraq's representative at the UN who has led negotiations over the permitted oil sale, has flown to Baghdad for talks with Mr Tariq Aziz, Iraq's deputy prime minister, and is expected to return to the UN within the next few days to non-aligned UN member countries.

Mr Aziz is expected first to visit Rabat, capital of Morocco, the sole Arab country presently on the UN Security Council.

US officials say an appropriation of frozen Iraqi assets could easily be enacted. However, Britain and France have been less enthusiastic about the possible legal ramifications of such a move.

Bankers and lawyers in London say an assets appropriation would have to be backed up by passage of domestic legislation to protect banks against potential future Iraqi claims on the seized assets. Just over \$600m of frozen Iraqi money has in London banks.

Bankers also say that they would be wary about the effect any such appropriation would have on the view of London as a financial centre. "It's Iraq this time - but who might it be later? That would be the thinking," said one banker.

The US treasury is also understood to be worried that any Iraqi assets spent on humanitarian needs would not be available to offset claims by US companies against Iraq. "The problem is we have more claims against Iraq than we have money," said one US official.

More than \$1.4bn of Iraqi assets are locked in US banks. Money secured, either through an oil sale or appropriation of assets would be spent largely on food and medicine, with 90 per cent used to pay for compensation to victims of the invasion of Kuwait and for UN programmes in the country.

Campaign to swap debt for drugs aid gathers pace

The third world has told UN it cannot afford the fight against narcotics, writes Ian Hamilton Fazey

A LARGE group of third world countries has told the United Nations they cannot afford to fund the fight against drugs. They want to swap some of their international debt to help pay for combating illicit drug growing, production, trafficking and abuse.

The move is being opposed by most developed nations, particularly the US and Britain, which regard third world debt as a bilateral matter between individual borrowers and lenders, not as something on which the UN can act collectively.

They also say the global fight against drugs and drug-related crime is embedded in international treaties which all nations have a duty to implement. Their effects cannot be made conditional.

Nevertheless, the UN is being forced to investigate and develop the "debt-for-drugs" concept after Bolivia, Colombia, Egypt, Nigeria and Peru this month forced a motion through the UN Commission on Narcotic Drugs in Vienna.

Nigeria acted on behalf of the Group of 77, the third world's counterweight to the smaller, but more powerful, grouping of developed nations. The Group of 77 is gradually increasing its representation on the commissions and committees that formulate UN policy, so as to have a voting majority wherever it can.

The UN International Drug Control Programme, which gets most of its \$100m-plus budget from the US, Japan, Australia and east European countries, has to report back to the commission in 12 months on making the debt-for-drugs concept work.

One idea canvassed is for some government-to-government debt to be converted into local currency, forgiven but frozen in place, and the former interest payments diverted into anti-drug projects. Bolivia is being suggested for a pilot scheme with some of its \$300m debt to US agencies retired for the purpose.

A parallel is being drawn with "debt-for-environment" schemes which UN and other agencies are also exploring. Here, third world countries can agree, for example, not to clear areas of rain forest in exchange for debts being forgiven.

However, opponents of the debt-for-drugs idea say the parallel is false. The debt-for-environment swap would work through a value being placed on a section of rain forest not being developed and being designated a conservation area or international nature park. This would turn it into an asset for



Specially chosen Guatemalan troops carry out a drugs search in the Colombian town of Riohacha, but they are failing to keep pace with the traffickers

the country concerned, making money-earning development, such as tourism, possible.

Debt-for-drugs is being seen as more like blackmail because international crime and widespread corruption are involved.

At best, countries with debts would be tempted to let their anti-drug performance deteriorate so as to force a debt-for-drugs agreement on the international community.

Illicit drug producers could then simply transfer operations over the nearest border, thus compounding the problem in a neighbouring country and encouraging debt-for-drugs swaps there.

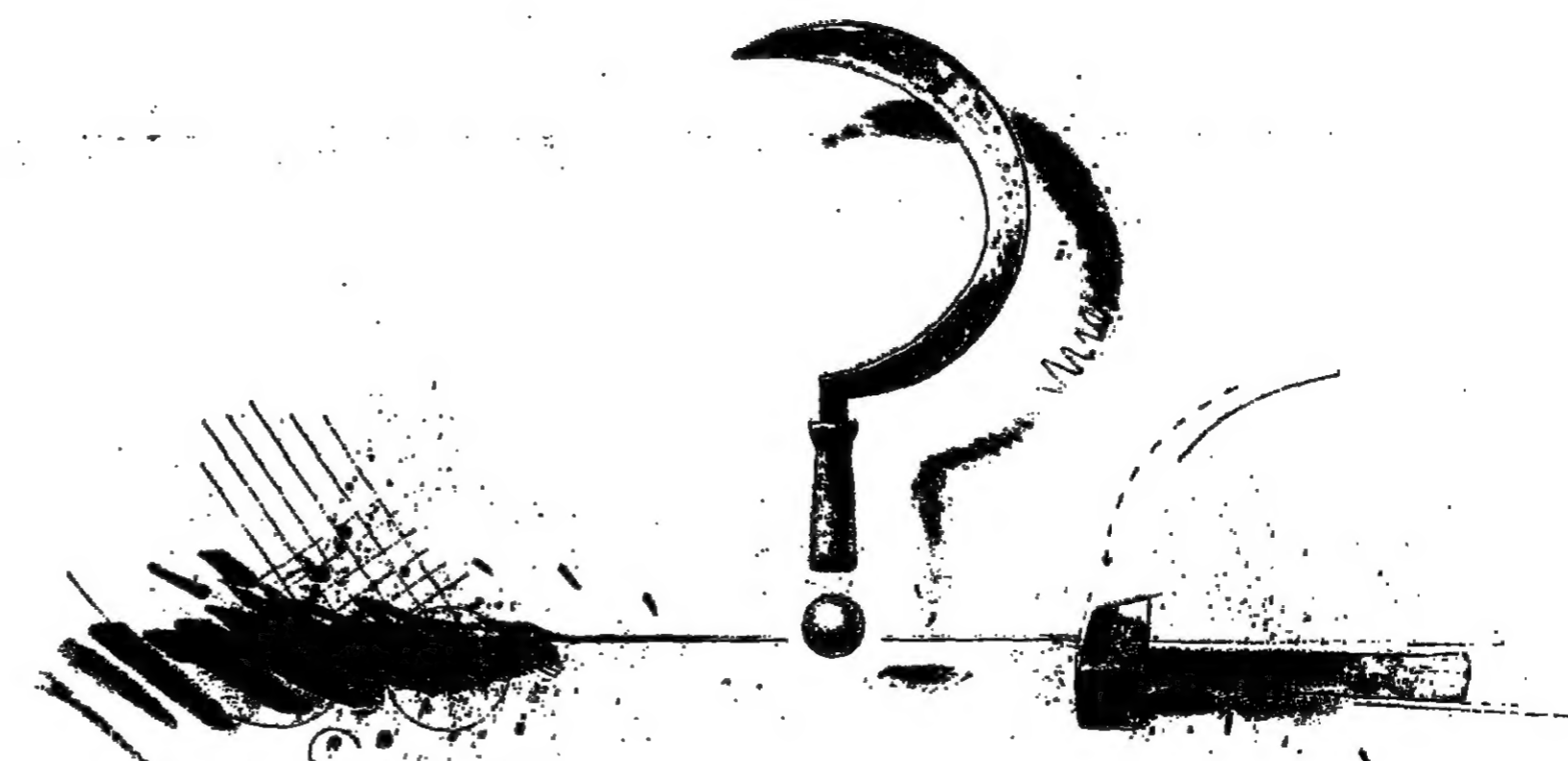
The UN already has experience of unexpected side effects from anti-drug initiatives. When it started crop substitution programmes, some farmers started growing opium for the first time in order to qualify for the subsidies that then enabled them to switch back to their original crops.

The Group of 77 nations says, however, that diverting already scarce resources into fighting drug cultivation, reduction, trafficking and abuse strains the countries' national economies. At the same time, debt burdens diminish their ability to promote alternative economic development to persuade people away from the easy money drugs provide.

There is also a view in the UN that much third world debt is never going to be repaid anyway, so debt-for-drugs would at least give the developed world some benefit from writing off what is in effect dead money.

However, the "blackmail" connotations have already registered strongly with several developed nations. This is thought likely to make some of them wary of channelling money to UN agencies, using instead bilateral agreements with individual third world countries, with close monitoring of the anti-drug projects involved.

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Total Sales	5,800	4,455	5,345

Note: The above financial information comes from published balance sheets.

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an link
Hugh Carnegie
finalized," said Mr. Merhav.
Merhav has had to move
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NEWS: INTERNATIONAL

Russia, India face US action over missile deal



Burbulis: ridiculed US stance on technology transfer

By K.K. Sharma in New Delhi

RUSSIA and India faced the possibility of sanctions by the US after they decided yesterday to go ahead with a \$350m (£141m) contract for the sale of Russian rocket technology for India's space programme.

The Russian decision was announced yesterday by Mr Gennady Burbulis, the Russian secretary of state, at the end of three days of talks on bilateral matters.

Mr Burbulis ridiculed US attempts to assume the role of a global lawmaker on missile technology and declared that Russia would go ahead with its contract with India. The Bush administration has warned Russia and India that they risk US sanctions if they complete the deal on the sale of booster rocket technology.

Ms Margaret Tutwiler, the

US State Department spokeswoman, said her government would decide soon on its response to the rocket deal, which she said was inconsistent with the guidelines of the Missile Technology Control Regime.

Possible penalties would involve the suspension of access to US technology requiring export licences, and suspension of access to US government contracts.

Under the deal, the Russian space agency is to sell India technology needed to build rocket booster engines for launching communications satellites into orbit. The US apparently feels the Indian space programme has military objectives but Russia has rejected this view.

Russia has been collaborating with Indian scientists on its space programme for a long

time. With the help of the then Soviet Union, India has launched several satellites into orbit. Russia has now openly resisted US pressure to revise the agreement.

Mr Burbulis's visit was the first by a Russian leader since the political changes in that country. It has laid the basis for a visit to India by Mr Boris Yeltsin later this year.

India has very close ties with the former Soviet Union and faced the possibility of losing an important ally because Indian officials misjudged events that led to the breakup of the Union.

They have been busy ever since trying to restore Indo-Russian relations to their former level.

Mr Burbulis's remarks at the end of his visit are reassuring to India's ears. In addition to defying the US on the issue of

rocket technology, Mr Burbulis said that Russia would continue to supply spares for defence equipment.

This assurance is welcome to India which depended heavily on the Soviet Union for defence equipment and vast quantities of hardware could have been rendered obsolete because of the lack of spares.

Mr Burbulis said Russia has confirmed its intention to continue the defence co-operation that the former Soviet Union had with India. He also promised that the disruption of Russian crude oil supplies would end soon.

During his visit, Mr Burbulis signed a five-year trade agreement with India which envisages payments in hard currency instead of rupees. He also offered India a \$25.5m (£14.3m) credit for supply of defence equipment and paper.

Thai's hunger strike adds to pressure on PM

By Peter Ungphakorn in Bangkok

ABOUT 5,000 Thais rallied in Bangkok yesterday in support of a popular politician who has pledged to starve himself to death unless Prime Minister Suchinda Kraprayoon resigns.

His hunger strike increased tensions in the city on the eve of a parliamentary session in which Gen Suchinda is due to set out his government's policies.

Pressure on the government of Gen Suchinda, the former army commander and leader of last year's coup d'état, has increased steadily since his appointment was announced on April 7.

It escalated on Monday when 50,000 Thais protested against the appointment of an unelected prime minister and Major General Chamlong Srimuang, former governor of

Bangkok, started his hunger strike.

Business leaders expect stocks to fall sharply when the market reopens this morning, accelerating a steady decline in the stock exchange's share price index. The index has lost 71.41 points or 8.6 per cent since Gen Suchinda's appointment.

Businessmen say Gen Suchinda should never have appointed to his cabinet allegedly corrupt MPs who were in the government which the military overthrew last year.

Maj Gen Chamlong's threat to die if the premier does not stand down is being taken seriously. He has gained popularity because of his near-ascetic way of life and his reputed honesty.

The party he leads won 32 out of 35 seats in Bangkok in the general elections which took place on March 32.

US stance rattles Asian Development Bank consensus

By Alexander Nicoll in Hong Kong



THE Asian Development Bank, with its president and many senior officials coming from Japan, is traditionally run by consensus and without open confrontation.

These qualities were difficult to find yesterday, however, with officials of shareholder countries, speaking at the bank's annual meeting in Hong Kong, advancing deeply contrasting views of the bank's future role as a regional development institution.

Mr Olin L. Wethington, assistant secretary for international affairs in

the US Treasury, said bluntly that the US, as equal largest shareholder with Japan, would not countenance a replenishment of the ADB's capital resources until it had radically altered its lending policies.

The opposing view was provided by Mr JB Sumarlin, finance minister of Indonesia, by far the largest borrower from the ADB. He urged rapid approval of the bank's request for a capital increase, arguing that its loans "represent the most cost-effective way of delivering development financing".

The ADB will not actually need new money - it is seeking a 110 per cent capital increase representing new commitments of \$25bn - (£14bn) until 1994 and the approval process is likely to take at least a year.

However, the opening arguments

appeared to signal a fundamental debate about the role of development institutions in fostering growth, and about the role of the state, which remains significant in most Asian economies despite their dynamic growth and healthy private sectors.

The ADB has begun to direct financing at the private sector and has carried out numerous studies on the issue. But the bulk of its lending continues to finance public sector works.

The US has lost patience. "Any new capital increase should await the formulation of a clear and effective strategy for encouraging private sector development," Mr Wethington said.

The US also wants:

- loans to be conditional on adherence to policy reforms, for example to support reforms which opened up

financial markets;

- an end to co-financing arrangements with commercial banks which could threaten the ADB's credit standing;

- and a re-assessment of which countries should get loans.

The arguments stem partly from Asia's remarkable growth, which has pushed the four "dragons" - Hong Kong, Singapore, Taiwan and South Korea - beyond the point where they can borrow from the ADB. Thailand and Malaysia are approaching that stage.

This leaves a concentration of loans outstanding to a few countries: Indonesia (34 per cent), India (17), Philippines (14), Pakistan (14), Malaysia (6), China (5) and Thailand (4).

There are few other candidates for

significant lending, though Vietnam, Mongolia and possibly the central Asia republics, if they joined, could borrow in future years. (Soft loans for poorer members are backed by a separate capital base not covered by the latest ADB request.)

A 46 per cent rise in new loans last year was largely because of increased borrowing by India and China. The US says, however, China's large current account surplus should enable it to borrow more from commercial sources and less from the ADB.

The US attitude to the ADB is viewed as dogmatic and blundered by many regional countries which see Washington as increasingly out of step with Asia and isolated on issues such as financing for Vietnam, which it blocks.

Australia says US supports proposals to upgrade Apec

AUSTRALIA yesterday claimed to have won US support for proposals to strengthen the Asia Pacific Economic Co-operation (Apec) process by establishing regular meetings of regional heads of government, writes Kevin Brown in Sydney.

Australian officials said US president George Bush had endorsed the proposals in a letter to Mr Paul Keating, the prime minister. Mr Bush was also said to have supported Australian moves to establish a permanent Apec secretariat.

Mr Keating proposed the upgrading of Apec during a visit to Indonesia last month. The proposal was received cautiously by President Suharto of Indonesia, and is thought to be regarded with suspicion by other south-east Asian nations.

Malaysia, in particular, has opposed Australian attempts to strengthen Apec because of concerns that it might undermine the Association of South-East Asian Nations (Asean).

Asean, which groups Malaysia, Indonesia, Singapore, Brunei, Thailand and the Philippines, is developing plans for a south-east Asian free trade zone in response to the emergence of trading blocs in Europe and North America.

Mr Keating has also stepped up Australian pressure on the US to maintain a "significant security presence in the region."

In recent talks with Mr Dick Cheney, US defence secretary, Mr Keating supported continuation of US facilities in Australia, and offered use of a bombing range when the US leaves the Philippines this year.

ADB considers its first loan to Cambodia for 21 years

By Alexander Nicoll in Hong Kong

THE Asian Development Bank is discussing its first loan to Cambodia for 21 years, marking the country's return to the international financial community after the ravages of the Khmer Rouge regime in the 1970s and the subsequent 13 year civil war.

Officials said the bank is

considering a special rehabilitation loan of \$50m to \$70m (£28m to £38m) to provide emergency support for transport, irrigation, fertiliser and health care.

The financing will go before the ADB board in the next two months provided that legal and bureaucratic obstacles can be overcome. Cambodia must still repay a small amount of old arrears, and the legal

entity receiving the loan must be determined as the country has an interim government structure.

New loans would also depend on continuation of the United Nations-sponsored peace process. Yesterday, Khmer Rouge guerrillas launched fierce attacks on government-held positions in the worst violations yet of the ceasefire begun last autumn.

The scale of the rebuilding task awaiting Cambodia's new government is revealed in a report by the ADB released at its annual meeting in Hong Kong.

Production of most goods, such as rice, rubber and fish, though they recovered in the 1980s under the Vietnamese-installed government, remains below the levels of 1989.

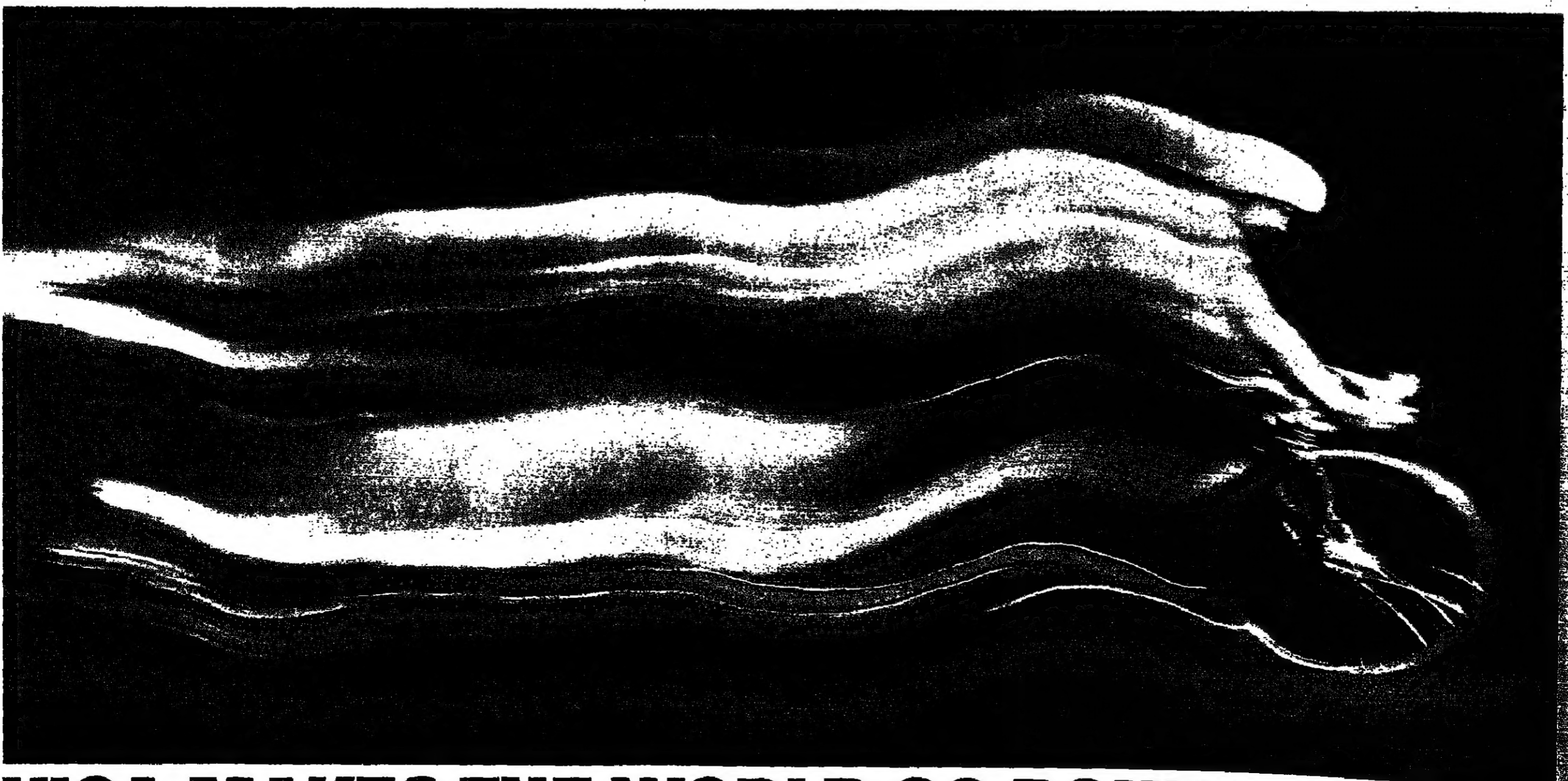
By 1979, after the genocidal

reign of the Khmer Rouge in which 1m people died, life expectancy was down to 31. By 1989, it was still only up to 45 and infant mortality and disease rates remained high.

Annual per capita income is guessed to be between \$150 and \$200, though even this low figure masks wide disparities between relative prosperity in Phnom Penh, the capital, and poverty elsewhere.

What the ADB does not mention is the need for successful UN-monitored elections of a new government, rehabilitation of over 300,000 refugees, and clearing of land-mines.

Mr On Ornt, vice-minister of planning and head of the Cambodian delegation to the ADB meeting, said yesterday: "After twenty years of destructive war, the reconstruction needs are enormous."



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NEWS IN BRIEF

Mujahid
as Afgha

ANC criticises

Russia and Japan

Somalis flee to K

Islamic extremism haunts Egypt's elite

The deaths of 13 people have deepened concern about militancy, reports Tony Walker



Some of 13 Muslim fundamentalists after they were sentenced to hang at a military court in the Algerian desert town of Oum el Bouaghi on Monday. They were convicted of an attack on a border post in which three guards were killed.

Lebanese go on rampage against economic hardship

By Lara Marlowe in Beirut

HUNDRED of Lebanese demonstrators yesterday protested against the collapse of the Lebanese pound by setting fire to the home of the country's finance minister, beating up policemen, closing down businesses and ransacking foreign exchange shops.

The unrest broke out after radio broadcasts announced that the pound, once one of the strongest currencies in the region, was selling at an all-time low of L22,100 to the dollar on the black market. It traded at L25 to the dollar before the 1975-90 civil war.

Protesters in the southern city of Tyre shouting "Down with a government that starves its people," converged on the home of Mr AE Al-Khalil, the finance minister, before burning it down. Mr Khalil was in Beirut at the time and the crowd of around 300 left when 25 soldiers arrived.

Yesterday's riots marked the first violent expressions of protest since Lebanon's economic crisis began to worsen in February. The government sent troops to Sidon and Tyre to reopen roads blocked by hundreds of burning tyres, while the country's main trade union called a three-day general strike to begin today.

However, the Confederation of Trade Unions which called the strike rejected proposals for unlimited action because it would only increase people's suffering. The general exhaustion which followed the end of 15 years of civil war, along with the continued presence in the country of 40,000 Syrian troops, make a full-scale revolt unlikely.

Since the Lebanese pound began a precipitate decline in February prices of basic commodities have in some cases doubled or tripled. Most wage-earners are paid in Lebanese

pounds and many people say they never knew such hardship even during the war.

Merchants - who must pay dollars for their imports - claim they are still making losses. Yesterday petrol stations and shops refused to accept Lebanese pounds.

The crisis contrasts with the optimism last summer, when the Central Bank stabilised the pound at L275 to the dollar and tens of thousands of Lebanese emigrés returned to the country. But, disillusioned by its shattered infrastructure, red tape and corruption, most returnees left in the autumn and the repatriation of funds stopped.

Since the war ended in 1990, promised reconstruction aid has also failed to materialise. The pound began to plunge in February after private sector pay rose by more than 100 per cent and the Central Bank announced that it would no longer deplete its limited reserves to shore up the pound.

Mr Omar Karani, the prime minister, put the present plunge in confidence down to a "foreign plot" against the Lebanese economy, but banking and business sources say the crisis has more to do with government over-spending and mismanagement.

Nevertheless, the government has increased its revenues in the past two months, set a ceiling on spending and limited its borrowing from the Central Bank. But these measures have not succeeded in restoring confidence and the crisis now appears as much political as economic.

Anger has focused on Mr Karani, who yesterday went to Damascus for talks with Syrian officials - prompting speculation that he may resign. An *Nahar*, the respected Beirut newspaper, said that the Karani government might not last until the end of the week and

Increased anxiety among the elite stems particularly from the upheavals in Algeria after the success of an Islamic party in the polls; from the recent case in Egypt of a novelist sentenced to prison for blasphemy against Islam and also from a worrying incidence of Moslem attacks against Christians and Christian property, including the sectarian violence in Upper Egypt this week in which 13 people were killed.

Mr Hannah, like other prominent Egyptian writers on the subject, believe that the government's information and education policies are playing into the hands of Islamic militants by allowing the public media to be used to "sell Islam" in the hope that "official Islam", what he describes as "mafia Islam", will submerge the "unofficial" version.

At the same time, the authorities resort to oppression, including detention without trial under the emergency laws, to curb Islamic groups. This "carrot and stick" approach has enabled the government thus far to keep the lid on Islamic militancy, but many Egyptian commentators question this strategy as a long-term panacea.

Ms Hala Mustapha, an expert on Islam at Al Abram Strategic Studies Centre, believes that the mass media between the Islamists and secularists. Ms Mustapha cites the recent example of a stirring discussion between the two sides at the Cairo book fair where voices for and against the separation of church and state were raised in a spirited and for the most part good-natured debate, but barely a word of this discussion filtered into the government-controlled media.

Mr Farag Foda, a participant in the book fair debate and a frequent and outspoken critic of Islamic militancy, believes that the best way for the government to combat the extremists is to open the air waves to debate.

Media and education are the long-run way to avoid a confrontation, he says. Mr Foda and others say the importance of radio and television in a country where the rate of illiteracy is 70 per cent cannot be underestimated, but broadcasting policy remains rooted in the past with the government apparently fearful of relaxing its vice-like grip on programming.

Meanwhile, disaffected youth despairing of finding work - unemployment is above 20 per cent - seek solace in religion, but not the variety espoused officially: rather, they gravitate towards *zanyas*, lit-



Cairo's Gezira tower: where Frenk meets Islam

fewer television hours should be devoted to Islamic themes; that the education system should be reformed to lessen emphasis on Islamic teaching; that the great Islamic teaching university of Al Azhar should be opened to more liberal ideas; and, perhaps most important, that real public debate should be allowed in

erally "corners" (rooms or areas set aside in private houses) where fundamentalists spread their message that militant Islam is "the solution" to the country's ills.

"The *zanyas* are deep in the lanes and hearts of Egyptians," says Mr Hannah. "There, people listen to another type of Islam, fundamentalist Islam which preaches violence, hatred of Christians and Jihad (Holy War)."

To the perennial question: whether militant Islam in Egypt is again on one of its periodic upswings there appears no consensus. Mr Foda believes it is not, but he cautions that the government cannot afford to be complacent, especially at a time when international Monetary Fund-inspired price increases are causing widespread hardship.

Secularists have been heartened by the sterner tone adopted recently by President Hosni Mubarak towards Islamic extremists. They hope this reveals the beginning of an awareness of the real challenge faced by the authorities.

The mainstream Islamic movement in Egypt, the Moslem Brotherhood, meanwhile bides its time, apparently convinced that it remains the only alternative to the established order.

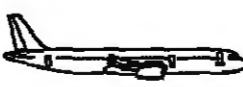
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NEWS IN BRIEF

Mujahideen named as Afghan ministers

THE new Islamic government of Afghanistan named 36 mujahideen leaders as ministers in the transitional administration that took power a week ago, as a barrage of rockets killed at least 40 people and wounded 200. Our Foreign Staff writes.

Dozens of rockets fired by fighters supporting Mr Gulbuddin Hekmatyar landed throughout the city after government forces began an offensive at first light.

Apart from Mr Ahmad Shah Masood, who was named defence minister before the government formally took power, and Mr Ahmad Shah, the interior minister, all the ministers were appointed for only two months.

ANC criticises de Klerk reshuffle

The African National Congress (ANC) yesterday criticised a reshuffle in President F W de Klerk's all-white cabinet and called for the participation of blacks in a new government. Reuter reports from Johannesburg. The ANC said that while replacements had to be found for two ministers, who are stepping down due to exhaustion, rapid progress was needed in multi-party talks on a democratic constitution.

"President de Klerk's major cabinet reshuffle carries with it the implication that the government is proceeding with policies unilaterally," an ANC statement said. The white-led government and the ANC are the main protagonists in 19-party democracy talks under way since December.

Russia and Japan to draft treaty

Russian and Japanese officials are to draft a peace treaty to end formally a state of war which has existed between them since the second world war, Reuter reports from Moscow. Interfax news agency said yesterday working parties from Russia and Japan had been told to draft the peace treaty before Russian President Boris Yeltsin visited Japan in September.

A long-running dispute about the ownership of the four most southern islands in the Kurile chain off Japan's northern tip has prevented Russia and Japan concluding a peace treaty.

Somalis flee to Kenya

Thousands of Somalis fleeing a fresh outbreak of fighting have flooded over the border into neighbouring Kenya in recent days, UN officials said yesterday. Reuter reports from Nairobi. A senior United Nations High Commission for Refugees official said the Kenyan government estimated at least 30,000 new refugees had arrived over the past six days. The latest influx comes on top of some 300,000 other refugees seeking refuge in Kenya from war and famine in Somalia, Ethiopia and Sudan and has stretched the east African country's hard-pressed resources to the full.

WEDNESDAY MAY 6

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Mr Keating has also
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In recent talks with
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Hawaii, and offered use of
ing range when the US
the Philippines this year



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England to host 1996 European soccer cup

OPPORTUNITY 2000 EQUALITY SCHEME

Job campaign gathers pace

OPPORTUNITY 2000, the business-led campaign to improve the position of women at work, now involves 20 per cent of the workforce, it was disclosed yesterday.

ENGLAND has been chosen to host football's European Championship in 1996. It will be the first international soccer tournament to be held in the UK since England won the World Cup on its home ground in 1966.

UEFA, the European football union, announced the unanimous decision of its executive committee in Lisbon yesterday. Other contenders were Austria, Greece, the Netherlands and Portugal.

The 1996 championship will be contested by eight nations, with England included automatically as the host.

Three venues have already been chosen: Wembley, the national stadium in north London; Old Trafford, home of Manchester United; and Villa Park, Aston Villa's ground in Birmingham. A fourth will be chosen from Leeds, Sunderland, Newcastle or Everton, in Liverpool.

Liverpool. The Football Association, which reckons it will make a profit on the championship, said yesterday the clubs involved might get some finan-

cial assistance to prepare their grounds for the event.

Helping British industry "to win": Michael Heseltine promises improved assistance

win": Michael Heseltine pronounced recognition of the "real partnership" between the wealth-creating and public sectors. It did not represent any "temptation to put your hand in your pocket and pay people to do things they should properly do themselves".

Mr Heseltine, who has to

Moderate builds bridges in hardline West Belfast

SINN Fein, the political wing of the outlawed Irish Republican Army, is facing a new challenge in its home base of West Belfast. The parliamentary seat, once held by Sinn Fein president Mr Gerry Adams, has been lost to the moderate Social Demo-

On April 9 Dr Joe Hendron, the SDLP candidate, became the new representative at

an MP at the election, is expected to be awarded a hereditary peerage in the Commons' dissolution honours, to be pub-

Mr Major believes he made a start in changing the priorities for awards in last June's Gulf war honours list when he deliberately put more emphasis on rewarding meritorious service regardless of rank.

tem would fit with Mr Major's

debate continues about whether all the clubs in the English and Scottish leagues should be forced to abandon standing areas on terraces. The cost of converting stadi-

The cost of converting stadiums in England and Wales was put at £440m last year. More than £300m of this would be incurred by Premier League and first division clubs, roughly three times the amount of grant available from the Football Trust by 1994.

the new representative at Westminster for a constituency where troops patrol the streets, houses and shops are boarded-up and where a high metal fence - the so-called peace line - separates the Catholic

Dr Hendron know his narrow election victory has angered republican hardliners. "They are extremely hostile to me because they were beaten in

Dr Hendron puts his election victory down to tactical voting by about 1,500 Protestants in Unionist enclaves. And he vigorously denies Sinn Féin claims that they were support-

Unlike Mr Adams and Sinn Fein, Dr Hendron and his party intend to work within the UK political system and pursue the "round-table" talks on Northern Ireland's future which began again yesterday.

A new MP is challenging the sectarian divide in Ulster, writes **Ralph Atkins**

the SDLP delegation at the "round-table" talks - hoping to deliver a deal by which local politicians can be given real political control.

When he canvassed on Unionist housing estates the 1985 Anglo-Irish Agreement — supported by the SDLP but despised by Unionists because of the role it gives the Irish

of the role it gives the Irish republic — was top of the agenda. "I said: 'But isn't that what the talks are about?' I said that the Anglo-Irish Agreement is not a sacred cow."

Success in the talks would require huge compromises with a Unionist community more used to fighting catholic rivals in West Belfast.

constituency hated with the murder by loyalist terrorists last week of a 26-year-old mother, Mrs. Philomena Hanna, at a shop on Springfield Road. Dr. Hendron was jostled by Sinn Féin supporters at the site. "Hendron's voters killed Philomena," read posters.

family doctor since the "troubles" began, was supposed to be a conciliator. But his first action, triggered by Mrs Hanna's death, was regressive. He persuaded the Royal Ulster Constabulary to close the gates along the peace line.

In justification, SDLP politician reaches for a card he was given at a church service after the killing. "This was handed out to all the people. 'The walls of separation do not reach to Heaven.' That is what I would say."

"Many politicians are screaming, 'these gates must be kept open' but they are not living on the peace line. People are very frightened."

Dr Hendron, however, will be judged by his performance at the negotiating table rather than the murder scene. The new MP wants to work with Northern Ireland Office ministers.

ters to encourage investment in West Belfast, drumming interest in the US, Canada and elsewhere, and he wants to talk with the police and army about ending harassment. Mr Adams did nothing, he says.

However, Mr Richard McAuley, Sinn Féin's spokesman said: "We have a very well run constituency service which provides a useful service in West Belfast. Unlike Joe Hendron we did not engage in making promises we could not keep."

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**All facilities (including regulated consumer credit agreements)
with a rate linked to Morgan Grenfell Base Rate
will be varied accordingly.**


Morgan Grenfell & Co. Limited
Member of The Securities and Futures Authority
23 Great Winchester Street, London EC2P 2AX

 **National
Westminster
Bank**

**National Westminster Bank
announces that
with effect from
5 May 1992
its Base Rate
is reduced from
10.5% to 10.0% per annum.**

**All facilities (including regulated consumer credit
agreements) with a rate of interest linked to
NatWest Base Rate will be varied accordingly.**

**National Westminster Bank Plc
41 Lothbury London EC2P 2BP**

Interest Rates effective from 6th May 1992			
DEPOSIT ACCOUNTS		gross interest rate p.a.	gross interest received rate
Three Month Reserve Account			
£50,000 +		9.625%	9.50%
£15,000-£49,999		9.375%	9.21%
£10,000-£24,999		9%	9.31%
Reserve Account for Personal Customers			
£50,000 +		8.125%	8.38%
£20,000-£49,999		7.625%	7.85%
£5,000-£19,999		7%	7.19%
Reserve Account for Businesses/Charities/Societies			
£100,000-£1 million		7.875%	8.11%
£15,000-£99,999		7.5%	7.71%
£10,000-£24,999		6.875%	7.05%
7 Day Notice Deposit Account		1.5%	1.51%
TESSA			
Charity TESSA		8.5%	8.77%
<ul style="list-style-type: none"> • We are able to place savings and currency with the Money Markets. Rates are subject to daily variation. Further details may be obtained from your branch. • Where appropriate, Basic Rate Tax will be deducted from interest credited or paid (which may be reclaimed by residents non-taxpayers). Subject to the required registration form, interest will be paid gross. 			
Base Rate			10% p.a.
Gold Card Overdraft Facility			13% p.a.
Courts Unauthorized Borrowing Rate (where prior agreement has not been made)			23% p.a.
Personal Loan Rate			25.5% APR
House Mortgage Rate Written quotations available on request. Security may be required for mortgages and other types of loan.			11.5% p.a.
Classic Credit Facility			22.3% APR
 Courts & Co 440 Strand, London WC2R 0QS			

COURIER & EXPRESS SERVICES

The FT proposes to publish this survey on
May 15 1992.

The survey will be seen in 160 countries worldwide
and will be of special interest to 51,000 readers in
the UK who are decision makers on postal despatch
and freight services. If you want to reach this
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Data source: BMRB Businessmap survey 1990

FT SURVEYS

ANNOUNCEMENT

ALCYNVEST, a limited liability company with registered offices in H-1011 Budapest, Vam UTCA 5-7 and constituted last year by three shareholders, i.e.

- TRACETEBEL S.A., place du Tréport 1, B-1000 Brussels
- MVM Rt. Vam UTCA built 5-7 H-1011 Budapest
- MCL Rt. Seidmehner z.d. 18, H-1117 Budapest

is currently developing a combined gas cycle power plant with a rated output in the range 100 MW to 720 MW. The new plant will be built at Algód near to the city of Szeged in the south of Hungary.

The pre-qualification procedure for turnkey suppliers of the plant has been launched. Companies which are interested to enter the procedure will receive the qualification documents on their request to be addressed to:

Mr Gyula Schmidt, Project Manager,
Algóvest Ltd, c/o MVM Rt.
Vam UTCA 5-7, 1011 Budapest,
Hungary

REDUCTION IN UK BASE RATES

Retailers detect signs of recovery

By John Thornhill, Philip Renshaw and Gary Mead

THE RESISTANT revival in UK retail sales since the general election is expected to be strengthened by yesterday's reduction in interest rates.

Mr James May, director-general of the British Retail Consortium, which represents 90 per cent of the retail sector, says: "I think there are some signs in most sectors of modest recovery."

He sounded a note of caution, however, adding: "Many retailers would like to see a bigger and quicker reduction in interest rates but the cautious approach is right in the long run. It is vitally important that interest rate cuts are sustainable and sustained."

That, of course, largely depends on what happens elsewhere in Europe. Mr Derek Bowden, media director at the Satchi & Satchi advertising agency, says: "Until the German economy has fully resolved its problems this [cut] does not herald a significant move for the UK economy."

Mr Brian Stewart, chief executive of Scottish & Newcastle, the brewing, retail and leisure group, said: "I do not think anyone should expect a sudden surge in consumer confidence and spending, but this is a positive and timely move."

Mortgage lenders to cut cost of borrowing

By David Birchard

HALIFAX, the largest UK home loan and savings institution, cut its standard mortgage interest rate by 0.3 percentage points to 10.85 per cent within an hour of yesterday's base rate cut being announced.

Mr Jim Birrell, Halifax chief executive, described the latest base rate cut as good news for home buyers.

The reduced rate applies to new borrowers but the Halifax declined to say when the 0.3 point cut would be applied to its existing mortgage customers. The reduction means a saving of £10.63 on monthly payments on a £50,000 endowment mortgage and £8.91 on a repayment mortgage of the same size.

Halifax's move took the rest of the mortgage industry by surprise. Mr John Bayliss, managing director of Abbey National, the second largest UK mortgage lender, said it would also reduce its rates by 0.3 of a point.

Other institutions - known as building societies - have little option but to follow Halifax and Abbey National. However, they will do so with cautious misgivings about the effect on their balance sheets.

Though most mortgage lenders agree that some sort of

stimulus is needed to revive the housing market, many building societies are under strong market pressure on both the lending and the savings side of their business.

In January, led by Abbey National, Halifax and the building societies cut their rates to borrowers to around 10.95 per cent, less than 0.5 of a point above the base rate. Usually, societies like to keep lending rates at least a full point above the banks' base rate, but in January they reduced this margin in order to encourage recovery. The clearing banks also said that they had their mortgage rates under review.

Industrial reaction to the rate cut, meanwhile, was mixed. All sectors welcomed the move but there were complaints about its timing and size. Many argued the real impact would be in terms of confidence rather than immediate cash.

The Institute of Directors was most bullish, arguing it was the "best possible stimulus" for British business to pull the economy out of recession.

The Confederation of British Industry, the employers' association, said the base rate cut was "not before time". Sir John Benham, director general, said the move reflected the underlying strength of the economy as

well as progress on inflation.

"It will provide a useful boost to business confidence at an important time. But real interest rates remain very high for manufacturers especially. It is important the downward trend is maintained," he said.

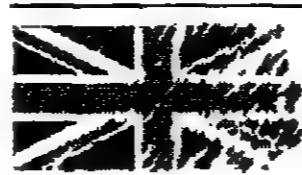
In the construction sector, Mr Peter Parkin, chief executive of Raine, said: "A slow thaw appears to have begun in the housing market. The latest cut in base rates can only help this progress."

Many electronics manufacturers, however, do not think the 0.5 per cent rate cut is large enough to immediately boost spending significantly. "It means [the UK economy] is moving in the right direction," said Panasonic, the Japanese-owned consumer electronics group. But the rate cut was not big enough to have a significant impact because people still felt that the economy was depressed and would take time to recover.

Canon, the Japanese camera and office equipment maker which has been hit by a tendency among businesses to postpone investment decisions during the recession, said: "Obviously it's good in that hopefully it will stimulate some kind of recovery."

Lex, Page 15

Britain in brief



Lucas venture to create 500 jobs in Wales

Nearly 500 jobs are to be created in West Glamorgan, Wales as a result of a Lucas joint venture company with Sumitomo Electrical Industries of Japan winning a second large contract to supply wiring systems to Japanese car plants in the UK.

The contract for Lucas SEI Wiring Systems, based at Ystradgynlais, is worth £25m a year.

The plant will supply Honda's manufacturing plant at Swindon, western England, due to go on stream in the autumn, with the main wiring system for the Synchro, the new saloon Honda expects to build at a rate of 100,000 a year by the mid-1990s.

Cut in National Saving returns

National Savings is cutting the returns on most of its products. In a move linked to the reduction in base rates.

The government department said the rates it offered had diverged from the rest of the savings market.

Home loans and savings institution - building society - executives have complained recently that they were finding it difficult to compete with the attractive, and in many cases tax-free, National Savings products.

Visa plans phone service

Holders of Visa credit and debit cards will soon be able to pay for domestic and international telephone calls on their card account under a deal between British Telecom and Visa International.

VisaPhone, a service already available in the US, which allows callers to provide their card number and a four digit

identification number to pay for calls, will be fully introduced in the UK early in 1993.

Visitors to the UK will also be able to bill the cost of their calls to their Visa card in local currency.

By using the VisaPhone, callers should be able to save additional charges such as those on reverse charge calls or the high charges for long-distance telephone calls made by many hotels.

Names step up legal action

Names on the troubled Outhwaite syndicate who missed out on February's £115m out-of-court settlement - the so-called "non-litigating Names" - have agreed to step up their own legal action to recover losses.

Writs alleging negligence by the Outhwaite Underwriting Agency and 81 other members' agencies, were issued on behalf of 383 Names last week.

Mr Eddie Kulunkundi, yesterday elected chairman of the 1992 Outhwaite Names' Association, said that the group will now aim to enlist as many of the 527 non-litigants to the action before serving the writs within the next four months.

Meanwhile, hearings in the long-running Oakeley Vaughan case yesterday resumed in the Commercial Court.

Union to fight Sunday law

The shop workers' union, Usdaw, has moved to counter government proposals for legislation to expand Sunday trading, expected in today's Queen's speech.

Delegates at the union's annual conference unanimously backed their executive committee's call to move the focus of the anti-Sunday trading campaign to influencing new legislation and away from simple condemnation of shops which were trading illegally.

Review urged on pension rules

Mr Michael Meacher, Labour's social security secretary, called on the government not to be deterred by corporate "blackmail" from introducing an effective regulatory framework

for company pension schemes. He has written to Mr Peter Lilley, social services secretary, denouncing a threat - by the 100 Group of finance directors - of lower corporate contributions if companies were no longer allowed to use pension fund surpluses for their own benefit, as "a public outrage".

Mr Meacher pressed for an announcement in the Queen's speech that the first session of the new parliament opening today would include legislation for the proper regulatory framework for company pension schemes which the Maxwell and other cases had shown was urgently needed.

UK reserves increase

Britain's gold and foreign currency reserves rose by an underlying \$63m last month.

The overall level - which includes cash gained from sales of Ecu-denominated Treasury bills and other changes - rose by \$748m to reach \$45.8bn on April 30.

Texaco plans drug testing

Random drug and alcohol tests on employees carrying out potentially dangerous work are to be introduced at the UK subsidiary of Texaco, the US oil company.

The latest issue of the magazine Personnel Today says that from next August, Texaco will carry out the tests, without notice, on its own employees as well as contractors and staff from other firms working for the company.

About 400 out of the top 500 US companies screen staff for drugs.

Plea for incentives

A renewed call for incentives to help smaller companies invest in manufacturing technology has been made by Sir Ronald Halshead, president of the Engineering Industries Association and deputy chairman of British Steel.

The plea, coupled with strong criticism of UK banks for their attitude towards smaller companies, echoes the campaign in the machine tool

industry for investment incentives to encourage purchases of manufacturing equipment.

Fall in pay for young

The pay of young adults aged between 18 and 20 has fallen sharply as a proportion of adult wages since 1979, according to data collected by the Low Pay Unit, the research group.

The fall, from 61 per cent to 53 per cent of adult wages, has been greeted by some economists and employers as an important step towards increasing the number of training places for young people.

Ms Vivien Marshall, head of education and training at the Engineering Employers' Federation, said: "This is an encouraging sign, which could lead to more, and better-quality, training places."

More ethical codes seen

The proportion of large companies with a written ethical code is rising sharply and stands at nearly 30 per cent, according to a recent survey.

Relationships with employees and customers, and on sexual harassment dominate ethical codes, according to the study by the Institute of Business Ethics, a business think-tank. Very few mentioned duties to shareholders.

Cheques found in rubbish skip

Bank of Scotland said it could not explain how 20 envelopes containing cheques for payment for the second instalment of ScottishPower shares came to be dumped in a rubbish skip in Edinburgh last week.

The unopened envelopes were spotted by a refuse worker in a skip.

Bank of Scotland is handling the payment of the second instalment of 70p on shares in ScottishPower and Scottish Hydro-Electric, which was due by April 23. Altogether, 1.8m payment notices were issued for the two companies.

Bank of Scotland said the police were investigating the incident. Shareholders who did not receive certificates by May 15 should contact the bank.

Parties vie for local government votes

By Alison Smith

BRITAIN'S three main political parties sought to portray themselves as efficient providers of local services yesterday as they prepared for council elections across the UK on Thursday.

At the end of a low-key election campaign, marked by the parties' determination to get their supporters to vote rather than to make mass converts, each re-emphasised its traditional areas of appeal.

Mr John Redwood, the local government minister, illustrated the Tories' central message that Conservative councils cost less, with figures

showing that most of the Labour and Liberal Democrat councils were overspending - according to central government estimates of spending needs.

Labour, meanwhile, highlighted the provision of personal social services by its councils. It contended, and warned that some Tory councils were choosing not to provide services such as nursery education.

Both the opposition parties insist that in spite of the government's determination to impose its policies on local authorities, the political complexion of councils still mat-

ters, because they could act as "buffers" against central government decisions.

In a signal that ministers intend to maintain their tight controls on local government spending, Mr Redwood also emphasised the importance of local authorities' discretion in deciding how to allocate the funds within the total spent.

Mr Paddy Ashdown, the Liberal Democrat leader, spoke of "restrained optimism", as the party repeated its claims of low morale among Labour workers.

The Liberal Democrats, however, predict that they will make more gains from the Tories than from Labour,

because the Tories hold more of the seats being contested this time.

Mr Cunningham responded by referring to potential demoralisation among Liberal Democrats, saying that the party "spent the campaign boasting about how well it was going to do and actually lost ground significantly."

Mr Jim Wallace, MP for Orkney and Shetland, is to become leader of the Scottish Liberal Democrats. It was announced yesterday. Mr Wallace, whose term of office will initially be for two years, takes over from Mr Malcolm Bruce, the MP for Gordon.

The key to security.



This key, reputedly derived from an idea of Henry II of France, opens two locks. It illustrates how an earlier age combined security with practicability.

The nineties promise to be a decade of turbulence. In any event, rapid change is on the cards. You'll have to cope with this change. And secure your assets against erosion. At Swiss Bank Corporation, we've designed our private banking around people like you. High net worth clients who seek personalized care and premium service. Our portfolio managers are dedicated to cultivating long-term client relationships, moulding solutions to your particular needs. Backed by decades of experience, a worldwide network of contacts and the financial strength of SBC, they can offer you a strategy to optimize your portfolio performance: whether you opt for growth or long-term security. Why not call one of our people? They know how to listen. In Basel: Michel Meyrat, 4161 288 2074, Frankfurt: Heinrich Schreiber, 49 69 71 401 700, Geneva: Alan Moses, 4122 376 6725, London: Louis F. Ackermann, 44 71 711 4855, Luxembourg: Nicolas von May, 352 45 20 30 222, Zurich: Fritz R. Rigoni, 411 223 2221 and in more than 50 other major cities around the world.



The key Swiss bank

BUSINESS AND THE ENVIRONMENT

Raise your glasses to clean water

Anglian Water is hoping to benefit from tough European Community rules on water purity by meeting the demand for cost-effective technology to remove pesticides from drinking water supplies.

The UK water group, which operates in a largely agricultural area and has developed particular expertise in removing contaminants, has set up a joint venture with Humphreys & Glasgow International, a subsidiary of US-based Eusech.

The 50-50 joint venture company, Anglian H&G, will market its technology in the use and regeneration of granular activated carbon (GAC), which until now has been used mainly to improve the taste and colour of drinking water.

But researchers have discovered that GAC is effective in absorbing pesticides, herbicides and other contaminants in the water supply. It works by attracting and capturing the molecules of contaminants in millions of tiny holes.

One of the biggest challenges which Anglian and H&G have addressed is how to ensure that the GAC is replenished before it becomes saturated and stops working. A separate research and development programme undertaken by Anglian with Severn Trent Water has produced a reliable method for removing the spent carbon from a filtration plant and regenerating it in a furnace for recycling.

H&G has built a pilot plant for Anglian and Severn Trent Water at Grafham near Huntingdon which is capable of handling 10 tonnes of GAC a day. Jim Fiedle, managing director of Anglian Water Commercial Developments, estimates that in the UK alone there is a need for 10 plants of this size.

Over the next few years drinking water throughout Europe must meet standards laid down by the EC which set a maximum admissible concentration (Mac) for a range of contaminants. The new pesticide Mac requires less than 0.1 micrograms per litre compared with the old rules before 1989 which allowed up to 30 micrograms per litre.

Paul Taylor

Insurers at Lloyd's of London breathed a sigh of relief last month after a New Jersey court ruled that they were not liable for the costs of a \$100m (£58m) environmental clean-up. Market leaders believe that the case involving the chemical company Diamond Shamrock, which manufactured herbicides including agent orange at its Newark plant - could reflect a change in US legal opinion.

John Wetherell, chairman of the Lloyd's non-marine underwriters association, says he senses that the complex and drawn-out legal battle between insurers and US industry about who should pay the bill to clean up America could be moving in favour of insurers.

The issue is crucial for Lloyd's - which is among dozens of US and European insurers which face potentially crippling losses if the US courts order insurers to pay costs estimated by Tillinghast, Nelson & Warren, the US actuarial consultants at between \$41bn and \$1tn (million million).

But many observers are less sanguine than Wetherell. Specialist environmental lawyers and insurers point out that the underlying trend of legal settlements in the US is favouring policyholders. Worse still, European insurers also face potentially heavy exposures nearer home as the cost of European industrial clean-up becomes clearer.

Dawn Enright, a US lawyer working with London-based Cameron Markby Hewitt, says British insurers in particular are "not doing enough to protect themselves. They have a chance to look and learn from the US experience. They have been lucky so far but this could change".

Since 1980 when the US government introduced the so-called "Superfund" laws to make the "polluter pay" for environmental clean-up, the US industry has been attempting to offload the cost on to its insurers. The trend of rulings on a number of basic issues gives the insurance industry little cause for comfort.

The majority of legal opinions have favoured policy holders on one fundamental issue: whether government-ordered clean-ups constitute insured damages under the terms of comprehensive general liability (CGL) policies.

Six out of eight state high courts - California, Massachusetts, Minnesota, North Carolina, Washington and most recently Iowa - have said that government-ordered costs are covered under the CGL policies. High courts in Maine and New Hampshire have ruled that the costs are not covered.

In addition, four federal appeals courts have found that they are not.

Europe's insurers could learn from US experience, says Richard Lapper

Stuck with the bill



The UK has between 50,000-100,000 contaminated sites, many of which will be the subject of complex and drawn-out legal battles

US insurers altered the CGL wording in the early 1970s, restricting coverage to "sudden and accidental pollution". But even in cases involving these policies the courts have sometimes ruled in favour of policyholders. Enright points out that the terms "sudden and accidental" are ambiguous. While insurers were intending to offer cover for sudden discharges of pollutants, courts have often tended to support policyholder interpretations in which the term "sudden" has meant sudden discovery of gradual pollution.

Insurers have also lost out on a third issue: whether a company being sued for the cost of cleaning up hazardous waste sites can claim on all its policies from the time the pollution begins to the point at which liability is known, the so-called "continuous trigger".

Lawyers and specialists believe that increasingly the insurance industry will need to focus its energy not on defence of general issues but on the facts of particular cases of pollution, where it can prove - as in the Diamond Shamrock case - that pollution was deliberate.

Courts are becoming sensitised to the factual circumstances of each case. Where the pollution can be shown to be expected or intended, insurers can be let off the hook, says Peter Burgin, a lawyer with LeBoeuf, Lamb, Leiby & MacRae in New York.

However insurers will see legal costs rise as they step up their defences. Increasingly environmental litigation will be on a case-by-case basis. "It will be like trench warfare. Costly and long drawn out," says Burgin.

In Europe there is little doubt that the cost of environmental clean-up will be considerable. UK consultants Ecotec estimate that the UK has between 50,000 and 100,000 contaminated sites, with a total area of 100,000 hectares. Germany has 140,000 contaminated sites and the Netherlands has 100,000.

Although the shape of European legal framework is still unclear - with initiatives at national and European level creating a complicated patchwork of laws - in several countries a much tougher regime of pollution control and remediation is at hand.

Section 61 of Britain's Environmental Protection Act of November 1990 permits local authorities to recover the costs incurred in site clean-ups from the site owner, for example.

A draft European Commission green paper prepared this year starts from the recognition that something must be done to clean up what it calls "the legacy of environmental damage from the past".

In addition, several features of both national and EC legislation could encourage litigation. For example, in the UK the Environmental Protection Act of 1990 has introduced a more rigorous regime of pollution control in which local authorities will be forced to build up detailed registers of polluted sites.

Brian Street, an environmental insurance specialist with Reliance National in the UK, says the new UK legislation "will greatly increase the power of pressure groups to bring civil proceedings." Moreover, some critics believe that insurers are complacent about the problem.

Many UK companies, for example, have continued to underwrite public liability policies which, by not excluding pollution, in effect offer the broadest possible insurance coverage.

Except for installations where there was a perceived risk of pollution, such as a chemical plant, restrictions of coverage to sudden and accidental damage have been generally introduced only since 1990, a delay which Randolph Fields, a American lawyer specialising in environmental law, describes as "inexplicable".

Both Street and Fields believe UK insurers could face potentially massive losses. Fields says liability claims deriving from "curve blanches" underwriting of unexpected pollution liability insurance in the UK between 1980 and 1990 are of potentially "catastrophic proportions".

What seems certain is that what one Lloyd's underwriter calls the "sins of the past" will haunt insurers for some time to come.

Wiping out pollution from the ground up

By Andrew Fisher

Much of the industrialised world is a dirty place. In recent years, western governments have forced companies to cut drastically their emissions of gases, chemicals and other pollutants into the air and water.

But what happens to the mess left in the ground when a company moves, closes down, or decides to change its ways after operating on the same site for years? The area is often unfit for industrial or other use and a costly, time-consuming, clean-up process is needed.

Although the extreme environmental problems of eastern Europe have received most recent attention - these range from feld air to unsafe nuclear power stations - there are plenty of problem sites in the west. One company which specialises in cleaning them up is Lurgi Umwelt-Beteiligungs (LUB), though it has plenty of competition from other companies.

LUB can draw on the depth of experience in one processing of its Lurgi parent company, part of the Metallgesellschaft group. As yet, decontamination is an industry in its infancy, but the scale of the industrial sites need cleaning up in Germany alone. About 30,000 are in east Germany, but more than 90,000 are in the western part.

Europe, which has even less money available. Thus while it is looking elsewhere for immediate foreign expansion, as EC and national rules are stiffened, dumping charges will become prohibitive and most companies wanting to prepare sites for future use will prefer to have them cleaned up. Denmark and the Netherlands, which have even tougher laws than Germany on ground contamination, are likely markets, as are France and the UK.

But he also has his sights set on the US, where LUB is operating test sites for eventual acceptance of Deconterra by the Environmental Protection Agency. Its partner there is Horseshoe Resources, in which Metallgesellschaft has a large minority stake.

To make its process more manageable, LUB has developed mobile units for areas with small soil volumes. These would be suitable not only for Europe but also the US. Moreover, several west German states want to set up regional decontamination centres, which would need mobile units to transport the soil. LUB is keen to help operate these.

site can be cleaned in this way. Apart from continuing work near its own headquarters at the edge of Frankfurt, formerly a copper processing plant, it is also cleaning up a coking coal site in Bochum in the Ruhr and an area in Bavaria contaminated with mercury.

Perhaps its most exciting project is the reclamation of areas in the Hesse town of Stadellendorf, the location of Germany's biggest explosives plant in the Second World War and where much of the ground contains trinitrotoluene (TNT). Yet mechanical soil-washing processes like Deconterra, which deals mainly with organic chemicals, cannot cope with all problems. Biological and thermal treatment, which LUB does not do, is also needed for some types of contamination such as heavy metals and fuel-oils.

In east Germany, the scope for decontamination seems boundless. "There is a huge need," says Hartmut Wits, the head of LUB, "but there is no money." The states there do not have the funds for a wholesale clean-up. The situation is worse in the rest of east

Germany, which has even less money available. Thus while it is looking elsewhere for immediate foreign expansion, as EC and national rules are stiffened, dumping charges will become prohibitive and most companies wanting to prepare sites for future use will prefer to have them cleaned up. Denmark and the Netherlands, which have even tougher laws than Germany on ground contamination, are likely markets, as are France and the UK.

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PEOPLE

Chipping away at Fortress Germany

S G Warburg has hired Michael Treichl, previously a managing director at Merrill Lynch in New York, to head up its German corporate finance activities, initially from London.

Treichl arrived firmly on the German merger and acquisition scene a couple of years ago with the Pirelli debacle. Merrill was one of the Italians' advisers in the in all but name - hostile, and unsuccessful, bid for German tyre company Continental. Firmly identified with those chipping away at Fortress Germany, he is well respected by anyone who advocates greater transparency and shareholder democracy among German companies.

He joins Warburg attracted

by "the firm's name and its special historical links to Germany" and will move to Munich in a year or two as the business builds.

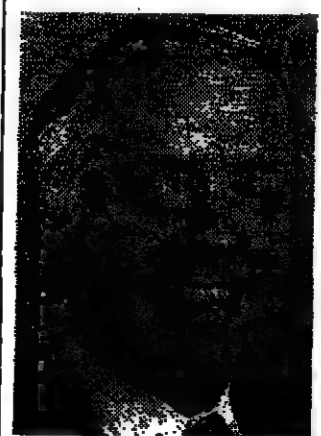
While competitors sniff that it has yet to make its mark as a European rather than a UK merchant bank, Warburg has quietly been assembling some of the juicier mandates around. The privatisation of east German hotel chain Interhotel for instance was a Warburg deal. Probably the most interesting current mandate in Treichl's new stable is Aachenener & Münchener, which retained the UK merchant bank after French insurer AGF assembled its 25 per cent stake.

Viennese by birth, with an education spanning Eton,

Vienna University and Harvard, Treichl, who is now nearly 41, once turned down a job offer from Sir Sigmund Warburg because he wanted to work in America; he joined White Weld in New York instead. His subsequent career took him via CSFB in London and Tokyo, and back to New York for Lesard Frères - where among a long list of big name deals he also admits to having advised Midland on the ill-starred Crocker purchase.

He had been at Merrill since 1988 on the international M & A side, and claims to have parted amicably. He tols up the value of completed transactions to his name as "nearly DM70bn" (£24bn).

Old Lady's Scottish ears



David Shilson, a Bank of England veteran, is to replace Nigel Falls, as the Bank's eyes and ears in Scotland. He takes over as agent at the Bank's Glasgow office on 18 May.

For diplomatic reasons the Bank of England has never established a full branch north of the border, but despite the small size of its Glasgow outfit, Shilson will be more important than many of the Bank's other agents around the United Kingdom. Charged with liaising with local industry, one of his main tasks will be to help monitor the health of the local economy at a particularly sensitive time in Scotland's political affairs.

While not a Scot, Shilson did study classics at St Andrews University. Aged 54, he is considerably older and more experienced than Aberdeen-born Nigel Falls, 46, who spent five years as the previous agent.

Having joined the Bank in 1961, Shilson has worked in the Overseas Department, the Economic Intelligence Department and the Industrial Finance Division where he was an advisor responsible for the financing of small firms. In between he was seconded to the Cabinet Office for three years and the National Economic Development Office for two and a half years. His most recent job at the Bank was as career development adviser.

Ruth May has been appointed Regional Liaison Manager for the Midlands and Western Region of the London Stock Exchange.

London's loss

Hamish Leslie Melville is another in a recent series of London fund managers who are retiring from the city to take senior posts in Edinburgh in their middle age. Leslie Melville, who is 47, yesterday joined Dunsin Fund Managers, which is part of British Linen Bank, a subsidiary of Bank of Scotland, and will succeed Donald Marr (61) as its chairman in July.

Until the end of last year Leslie Melville, a Scot, was chairman of Capel Cure Myers Capital Management. Earlier in his career he had spent 15 years with Hambros Bank (his mother was a Hambros) and was subsequently founder and chief executive of Enskilda Securities, an international merchant bank.

Leslie Melville is following a similar path to James Dawney, 45, and with Scottish connections, who was chairman of Mercury Fund Managers until late last year.

He has joined the board of Martin Currie, another Edinburgh fund management company, where he has become director of corporate development, as well as becoming vice-president of Martin Currie Inc, which manages the group's North American business.

Finance moves

■ Jason Maude and Sebastian Scotney have been appointed md and deputy md respectively of DILLON READ SECURITIES.

■ Michael Orr, former md of



Merrill Lynch Europe and currently chairman of Molins, has been appointed a director of GOVETT STRATEGIC INVESTMENT TRUST.

■ Hans Peterson, a portfolio manager with Ostgote Enskilda Bank, has been appointed a director of LAZARD FUND MANAGERS.

■ Maira Lees has been appointed secretary of UNITY TRUST BANK.

■ Simon Kingston has been appointed md of the NATIONAL MORTGAGE BANK.

■ Andrew Watson (left) has been appointed md of PROLYTIC UNIT TRUST MANAGERS while remaining



administration director of Prolific Asset Management.

■ The following have been made directors at CHARTERHOUSE: Lorraine Bailey; Clive Forrester-Walker;

David Hall; Philip Hebson; John Lawson; Alan Monk; Chris Walker.

BASE RATE

With effect from Tuesday 5th May 1992

Coutts & Co have reduced their Base Rate from 10.5% to 10% per annum.

All facilities (including regulated consumer credit agreements) with a rate linked to Coutts Base Rate will be varied accordingly.



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Lloyds Bank Base Rate.

Lloyds Bank Plc has reduced its Base Rate from 10.5 per cent to 10 per cent p.a. with effect from the close of business on Tuesday 5 May 1992.

The change in Base Rate will also be applied from the same date by Lloyds Private Banking Limited.



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Standard Chartered

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On and after 5th May 1992, Standard Chartered Bank's Base Rate for lending is being decreased from 10.50% to 10.00%

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Girobank

Girobank announces that with effect from close of business yesterday (5 May 1992) its Base Rate was reduced from 10.5% to 10% per annum.

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Digest of cases reported in Hilary Term

THE HILARY TERM AND ANOTHER v. BRITISH TELECOM. COMMUNICATIONS PLC

(FT, April 1)
About 30,000 of the 40,000 executives employed by BT in certain grades were represented by the Society of Telecommunications Executives (STE), a trade union. From about June 1989, in order to seek a pay increase, its members took part in industrial action short of striking, described as "withdrawal of goodwill". Two managers were awarded wages after the judge at first instance found that their refusal to sign an undertaking not to take any further industrial action was not a breach of contract. The Court of Appeal accepted BT's contention that if an employee was willing to perform only short of his or her duties, or declined to carry them out properly with the object of damaging the employer's business, the employer was not obliged to accept performance short of full performance and was entitled to refuse to permit the employee to work and to refuse to pay wages.

PRESIDENT OF INDIA v. JADRANSKA SLOBODA
(FT, April 3)
Disputes arising between charterers and shipowners under a charterparty were referred to

arbitration in London. By an interim award, the charterers were ordered to pay to the owners \$3,142 and the arbitrators then made a subsequent "final award as to costs". That award was substantially adverse to the charterers who issued a notice of motion for an order that it be remitted to the arbitrators on the ground of misconduct under section 22 of the Arbitration Act 1950. The arbitrators had separately furnished the parties with "confidential" reasons for their decision. Refusing the charterers' application, Mr Justice Hobhouse stated that where, as here, there had been a separate award on costs, the parties had to follow the procedures and requirements of section 1 of 1979 Arbitration Act and that required satisfying stringent criteria for grant of leave (see *The Nema* [1992] AC 724). The section 22 procedure might only be invoked where there had been some actual misconduct, such as excess of jurisdiction, procedural mishap, breach of natural justice, or failure to comply, and not simply some alleged unfavourable exercise of the discretion.

ASHMOKE AND OTHERS v. CORPORATION OF LLOYD'S
(FT, April 7)
The plaintiffs, who became Lloyd's Names at various times

between January 1971 and December 1981, were members of syndicates managed by Oakeley Vaughan (Underwriting) Ltd. They claimed damages from Lloyd's for losses on insurance contracts entered into by OUV as managing agent in 1980-81. The plaintiffs appealed against the judge's order that the preliminary points of law be argued as to whether Lloyd's owed them the alleged duties and the Court of Appeal set aside that order. Allowing Lloyd's appeal that the order be restored, the House of Lords stated that there had been a tendency to some cases for legal advisers, pressed by clients, to make every point conceivable and inconceivable without judgment or discrimination. Where a judge for reasons which were not plainly wrong made an interlocutory decision in the trial courts, it should be respected by the parties and, if challenged by them, it should be upheld by an appellate court unless the judge was plainly wrong.

OWENS BANK LTD v. BRACCO AND ANOTHER
(FT, April 8)
The bank had applied to register a judgment of the St Vincent High Court against Mr Bracco and Bracco Industria for more than \$510m. After

initial registration, Bracco applied for an issue to be tried under section 9(2)(d) of the Administration of Justice Act 1956 as to whether the St Vincent judgment had been obtained by fraud. At first instance and in the Court of Appeal, it was held that the issue should be tried. Dismissing the bank's appeal, the House of Lords stated that an English judgment was final and conclusive as to the issues decided and it was to preserve that finality that any attempt to reopen litigation, even on the grounds of fraud, had to be confined within very restrictive limits. However, under section 9(2)(d) of the Administration of Justice Act 1956, construed as it must be, as an adoption of the common law approach to foreign judgments, finality to a judgment was specifically denied if it could be shown to have been obtained by fraud.

GRAZIELLA FERRAZ
(FT, April 10)
Pursuant to an arbitration clause in a charterparty, the charterers and shipowners each appointed an arbitrator and the two arbitrators then appointed a third one. However, since the interim final award was issued the arbitrator appointed by the charterers died and they then nominated

another person in his stead and asked a declaration from the court that it was a valid appointment under section 7 (a) of the Arbitration Act 1950. Refusing the application but making an order under section 10(1)(b) of the Act appointing the replacement, Hirst J stated that the charterers could not invoke section 7 as that provision applied to two and not to three arbitrators. There was a lacuna in arbitration procedure and the drawbacks were exemplified by the present case where, in addition to the costs incurred in relation to the originating summons itself, the charterers had to undertake two expensive service processes out of the jurisdiction in order to invoke section 10, rather than the very simple and inexpensive procedure under section 7.

REGINA v. PANEL ON TAKE-OVERS AND MERGERS, EX PARTE FAYED AND OTHERS
(FT, April 14)
In 1987, Lombo issued a writ against the Fayed brothers alleging that they had induced the secretary of state to refrain from referring the proposed acquisition to the MMC by means of false representations about themselves, their background and their source of finance. The writ claimed for the lost opportunity to acquire

House of Fraser and sought damages for interference with business by unlawful means. A DTI report, of inspectors appointed to investigate the circumstances surrounding acquisition of the shares, was severely critical of the Fayed. In 1991, in response to the Takeover Panel's allegations of possible breaches of the City Code, lawyers for the Fayed sought an adjournment on the ground that the Panel's finding might prejudice their clients' position in the 1987 litigation but the application was refused. On the Fayed's unsuccessful application to the Court of Appeal, it was held that a court could intervene to prevent injustice where continuation of one set of proceedings might prejudice the fair trial of another. But it was a power which had to be exercised with great care, and only where there was a real risk of serious prejudice which might lead to injustice.

THE LEPHERO
(FT, April 15)
Clause 26 of a charterparty provided that neither the vessel, the owners, master nor charterers should be responsible for any delay resulting from "Act of God, act of war, perils of the sea... restraint of princes...". In the instant case, at the height of the Iran

Iraq war, the vessel was bound for Bandar Khomeini from Bandar Abbas but had to discharge at Bushire after two attempts to make the port. The arbitrators held that the action in requiring the vessel to return to Bushire fell within "restraint of princes" clause with reference to the charterers' claim for damages for the owners' failure to discharge at Bandar Khomeini. However, they held that the clause did not protect the charterers on the owners' counterclaim for demurrage. Their decision was reversed at first instance. While on the face of it the words of clause 26 were wide enough to cover charterers' delay in discharging where it arose from restraint of princes, it had long been the law that to protect a charterer against liability for demurrage, the language of the exceptions clause had to be clearly worded to that effect. Moreover, the Court of Appeal stated in allowing the owners' appeal and holding that the charterers were liable to them for demurrage, the general rule was applicable even though the vessel was not already on demurrage when the peril operated.

Aviva Golden

THE EARTH SUMMIT

The Earth summit in Rio de Janeiro aims to bring together more than 160 World leaders to discuss the environmental agenda for the future. On May 29 1992, the Financial Times will publish a survey entitled The Earth Summit which will examine the prospects for the summit, its scope and likely outcomes. This survey will attract widespread interest amongst the Financial Times business readership world-wide for whom environmental issues continue to be of major importance. 42% of Chief Executives in Europe's top companies ranked the protection of the environment among the top three future developments likely to have greatest impact on their business in the near future. If you want to reach this influential audience, call Alicia Andrews on 071 873 3565 or fax 071 873 3062.

Data source: Chart Executives in Europe 1990

FT SURVEYS

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ANZ Nominees Limited ACN 005 357 568, as Warrant Agent, hereby notifies holders of the above Warrants that, as a result of the converting preference share rights issue by Coles Myer Ltd, that there has been a Change in the Exercise Price in respect of the above Warrants under Condition 5 of the Conditions of the Warrants. The new Exercise Price per Warrant will be A\$8.88 and will apply in relation to the exercise of a Warrant where the Exercise Date occurs on or after 4 May, 1992.

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Old Lady's Scottish ears



David Shilton, a Real Scotland captain, is to play for the Bank of Scotland in the Scottish Cup final. The Bank of Scotland is a major sponsor of Scottish football. Shilton, who has played for Scotland since 1987, is a key player for the team. The final is expected to be a high-stakes match. The Bank of Scotland has been a long-time supporter of Scottish football, and Shilton's inclusion in the team is a testament to their commitment to the sport.

Christopher Lorenz looks at the transformation of Nestlé

Lean regime for a fitter future

For a company which has a reputation for Swiss conservatism, Nestlé has developed a remarkable habit of stirring things up.

Controversial takeovers in the US, UK and Italy of famous brand companies such as Carnation, Rowntree and Buitoni have now been followed by an even bigger cause célèbre: this year's successful battle royal in France for Perrier, against the Italian house of Agnelli.

While the outside world had its eyes glued on the Perrier saga, Nestlé's stirrers were hard at work on a much quieter but more important front: themselves. Or, more precisely, the way their 1,600-person head office is organised, and the methods by which it wields influence over Nestlé's vast empire in more than 100 countries.

One top manager at the normally placid corporate headquarters in Vevey, on the banks of Lake Geneva, calls the reorganisation "the biggest revolution at Nestlé for 80 years". Not surprisingly, he says that "it provoked a lot of internal resistance when it was first announced" - both at head office and out in the markets.

Appropriately for the manufacturer of a product line called Lean Cuisine, the purpose of the reorganisation is to make Nestlé slimmer, faster and more coherent. From a belt and braces giant which one of its critics complains "is rarely first with any new product", the company is trying to turn itself into a low cost, fleet-footed innovator.

Not only that, but with the

regionalisation of markets in Europe and elsewhere - in some, though not all, product lines - Nestlé also wants to overcome its version of the eternal "not invented here" syndrome.

This besets companies in many industries, but nowhere more than in food, where the phenomenon encourages managers in one country to be slow to introduce products which have been successful in others.

To accomplish this ambitious transformation, Nestlé has taken five main actions:

● It has abandoned its proud but outdated history of organising its head office, and some of its country companies, on the basis of strong, functional departments such as financial control and production. Instead of allowing such specialists complete control of virtually everything that is done out in the field, most of their empires are being cut back to the bone.

● Some of their members have been transferred to seven newly-created "strategic business units" (SBUs). Each of these has worldwide strategic (but not operational) responsibility for a particular set of businesses; one will deal with coffee and beverages, for example, and another with food. With a full range of functional expertise now integrated under their command, including research co-ordinators as well as production and marketing staff, these SBUs will practice what is known in management parlance as "product management". Though arch-rivals such as Unilever and

Procter & Gamble mastered this activity decades ago, Nestlé has never quite managed to do so.

The SBUs replace Nestlé's previous, half-hearted HQ effort at product management. This took the form of units misleadingly called "product divisions". In fact, they were merely advisory think tanks, mainly about marketing. "Their managers had a very frustrating time - they had no way of imposing anything," says Reto Domeniconi, Nestlé's finance and administration director, who has overseen the head office reorganisation project.

The only functional department which is not being dismantled is research and development, although its co-ordinators are being moved to the SBUs. Most of its other staff are already decentralised around the world.

● On the operational front, it is giving its regional management units much greater clout than before over the country companies beneath them. In the past, Nestlé's regional managers had inadequate staff to exercise their influence properly, even though all communications between head office and country companies had to go through them. As a result, they were "drowning in paper" as one insider puts it. Caught between powerful countries and muscular functional barons at headquarters, the various zone managements became bottlenecks in the decision-making process, rather than the weighty players they were supposed to be. Now they, like the SBUs, will



have staff drawn from several of the previous HQ functional departments. The European zone will also have special transnational co-ordination groups for selected products, such as confectionery and petfood.

● As a result of these changes, Nestlé is in the process of cutting the size of its headquarters by more than 12 per cent from the 1,600 registered last October. The original target was lower, but initial experience with the new organisation has shown how many - or few - people are actually needed. Of the 200-job reduction, about 80 will be transferred to country managements.

● It is encouraging the principle of "business asymmetry": the idea

that each business unit can be organised differently, depending on its particular characteristics and needs, its degree of novelty or maturity, its market share, its technology-intensity, and so on. Previously the functional barons at headquarters enforced a blanket "Nestlé way" of doing things.

This encouraged functional excellence, but it also landed many businesses and countries with cost structures and decision making procedures that were totally unsuitable. The production function, probably the most powerful in the company, was especially at fault here. One insider complains of its "cumbersome gold tap and bath plug mentality".

In essence, Nestlé's reorganisation is a customised variation on an eternal organisational challenge which besets all companies of any size: constant tension between centralisation and decentralisation. There is no single "correct" combination of the two: it varies according to circumstances and over time. Nestlé's reorganisation is summed up with characteristic Italianate gusto by Camillo Pagano, its much respected former marketing chief, who has just retired.

"We needed to find the right balance between the dogma of the Vatican and the energy of the periphery," he says. For the moment, anyway, Nestlé may possibly have done so.

How the new-style hard centre was made more digestible

There is plenty in Nestlé's reorganisation from which other companies can learn, even if at first sight the company appears to its competitors at Unilever, Procter & Gamble, Philip Morris and so on to be doing little that is original - "stepping cautiously into the 1990s", as one wag puts it.

Nestlé's critics are right that the abandonment of functionalism was well overdue; it survived so long only because it was such an

enshrined part of Nestlé's custom and practice. In the 1980s Helmut Maucher, the group's redoubtable chairman and chief executive, sometimes appeared to share the exaggerated view of some business academics that really good managers can make almost any structure work. Only in 1989 did he and his colleagues finally become so frustrated with the old structure that they called in McKinsey, the management consultancy, to advise them how to streamline it.

In terms of organisational theory, the previous structure was considerably more complex than the "one single, clear line of power" that Maucher has always believed in. It was either three- or four-dimensional, depending on how you depict it.

A 4-D picture is probably appropriate, given the way in which two headquarters groups (strong functions and weak "product management") tealed with each other for influence over the organisation's

geographic side. The latter, in turn, actually consisted not of one line of power, but of two messy partners: regions and countries, which also often tealed with each other.

Nestlé's new structure is two-dimensional, with the product divisions on one side and, on the other, regional units with much-enhanced influence over the countries.

In the context of the food industry, which still needs to be ultra-responsive to differences in local

market habits and demands, this change is almost as significant as the more dramatic-looking structural shifts of multinationals in other industries. With a higher proportion of global products than Nestlé, ICI, US General Electric and others have felt able recently to abandon their messy two-dimensional matrices in favour of simpler, virtually one-dimensional, structures.

In such companies, regional or global businesses now have clear

priority (are "prime", in ICI-speak), while the geographic dimension holds sway only over services and perhaps some aspects of sales and marketing.

All the same, there is manifest pressure within Nestlé, as at its competitors, to create as many cross-border products as possible. Hence, in part, this spring's nomination for the first time of a chief operating officer to serve immediately under Helmut Maucher, with special responsibility for food.

Chewing over the fat



HEALTH CHECK

There is more to obesity than meets the eye. Simply being overweight does not in itself increase the dangers of heart disease unless it is accompanied by high blood pressure, diabetes or high levels of cholesterol. There are different types of obesity, and some are more risky than others.

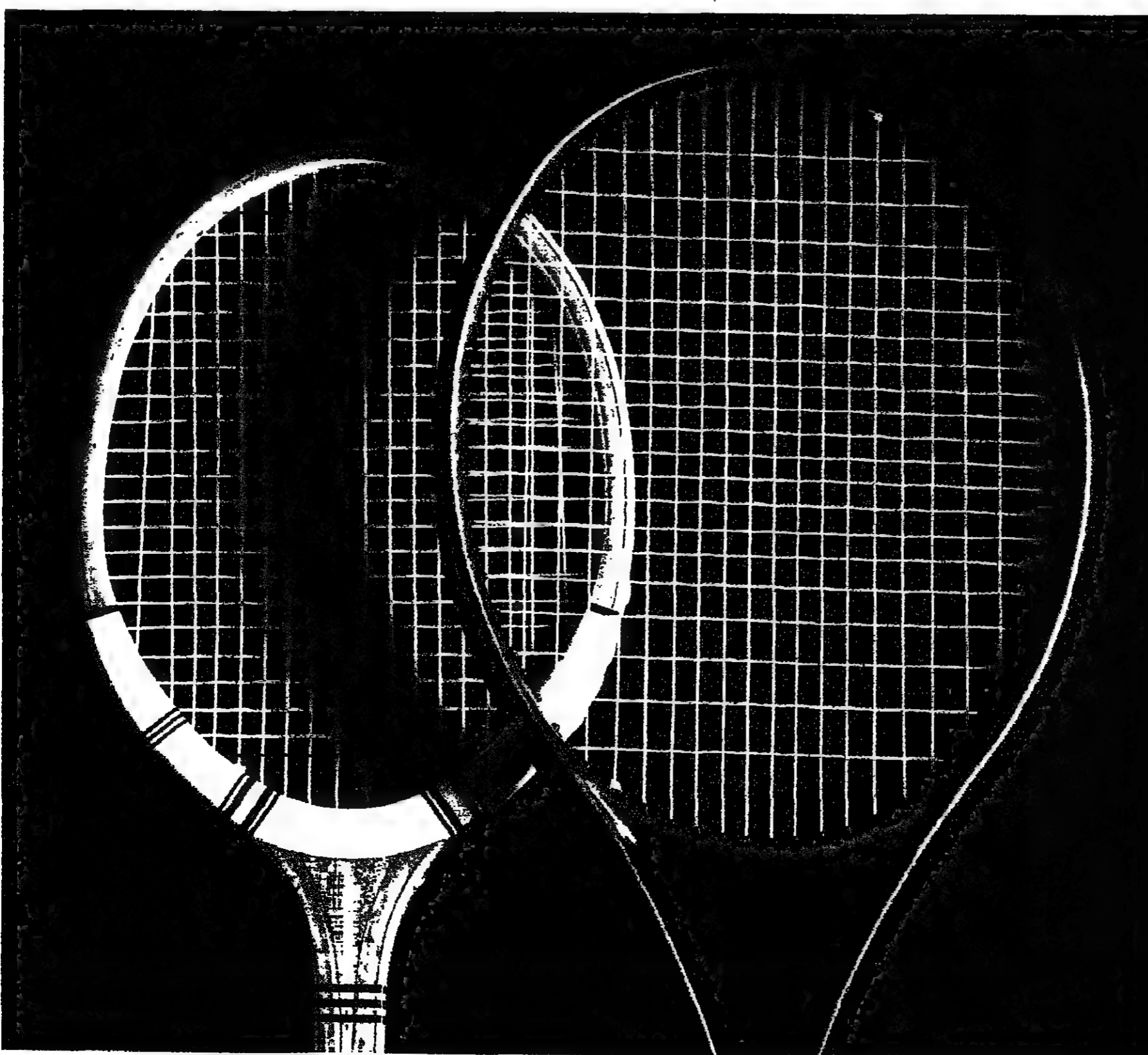
There are two main sorts of fat distribution: "android", apple-shaped distribution, where most of the fat is concentrated around the waist, and "gynoid", which is more pear shaped with the fat distributed all over, although particularly on the lower part of the body. Evidence over the last two decades suggests that apple-shaped people are more vulnerable to heart disease than the pear-shaped type. Some studies conclude that an otherwise slim person with a bulging mid-drift may be in greater danger than someone who is fat all over. Women are at less risk than men: they can carry up to 25 kilograms more fat without increasing their chances of heart disease because of their more pear-shaped distribution.

To find out which type you are, take your waist measurement and divide it by the hip measurement. Men are classified as "upper body obese" if the waste-hip ratio (WHR) is more than 0.95, and women, if they are more than 0.85.

The best remedy, as with all weight problems, is gently to cut the number of calories consumed, and to increase the number used up through regular exercise. Remember that your bathroom scales will be of no help, as muscle is heavier than fat. This means that as you exercise, you may find you gain weight. Instead use the WHR - or attend to how tight your belt is - to gauge your success.

Dr Michael McGannon

The author is the medical director of the Insect Business Health course.



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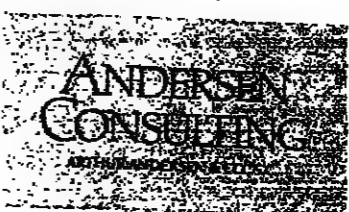
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TELEVISION

Hollow laughter

Anyone who has ever worked for *The Times* or *Punch* has had to grow used to the comment "Ah, yes, a great institution, but not what it was, of course". The same is often said of British television comedy and the right response is the one that was first coined for *The Times* as long ago as the 19th century: "True, but then it never was". The thought is prompted by the appearance of two new situation comedies - *Side by Side* and *Don't Tell Father* - in a week that also brought repeat episodes of *George and the Dragon* (1986), *Please Sir!* (1988) and *On the Buses* (1970).

Those last three date from the period which is often identified as the golden age of British television comedy, but this seems to owe more to rose-tinted spectacles than to reality. There are probably three reasons for the period's inflated reputation. First, at almost all times there has been one outstanding comedy on British television (*Blackadder Goes Forth*, *Family Ties*, *The Good Life*, *Dad's Army* and so on) but during the 1960s there were two: *Steptoe and Son* and *Till Death Us Do Part*, and somehow two seemed much more than twice as many as one. Secondly, there was much less television in those days and far fewer sitcoms around, a dozen perhaps. Two as a proportion of 13 is much more impressive than two would be today as a proportion of 40 or 50. Thirdly, both series were sold under format deals to the Americans and became highly successful in the US. This more than anything has caused the comedy in the industry to shake its heads ruefully and tell stories to newcomers of what it was like in the good old days when British comedy was top.

Yet judging from *George and the Dragon*, *Please Sir!* and *On the Buses* they must have felt like the bad old days much of the time to any moderately intelligent viewer. In *George and the Dragon* (1986) James played a butler (old fashioned, surely, even 30 years ago) and

Peggy Mount a housekeeper, working for an old butler played by John Le Mesurier. Unfortunately he appeared very little in the episode shown in the penultimate edition of Channel 4's fascinating *TV Heaven* season, and the dialogue and business between James and Mount was dire. She said things like "Would you like to see my credentials?" at which he did a slow double-take and said "Eh?" before asking "Ow are yer dumplings?" All this was immediately, of course, with gallons of canned laughter.

The long, slow pilot episode of *Please Sir!* shown in the ultimate edition of *TV Heaven* was, if anything, even worse, with a boyish John Alderton as the newly arrived naive school teacher being asked "Hedges, what would you say to replace four times on the trot?" and mispronouncing the name of his Greek pupil. At least *On the Buses* had a bit of physical farce with Stan (Reg Varney) trying to sell an old motorbike combination to Stephen Law's bus inspector and getting him jammed inside the sidecar. Yet this served chiefly as a reminder of the memorable Harpo/Groucho sidecar sequence which was so much funnier.

The lines in *On the Buses* were as feeble as those in the other two. When Stan buys a small ad for Arthur to sell the motorbike and writes "Must sell, owner going abroad" Arthur says "But I'm not going abroad" to which the punchline is "If you sell this you might have to". No self-respecting American comedy producer would accept such a puny gag, but in Britain it is shown in great earnest and the usual dollop of artificial laughter in the hope of making us think it is funny.

So if it was not such a golden age, if the small quantity of truly funny sitcoms was even at that period outweighed by a much larger amount of dull ones, are we perhaps more fortunate today than we realise, given that there are now so many more comedies on offer?



Obsessed with class distinction? Two new comedies, left, Tony Britton and Susan Hampshire in 'Don't Tell Father' and right, Cindy Bell and Gareth Hunt in 'Side by Side'

The answer, surely, is no. However many we may have to choose from, the standard is uniformly low and, what is worse, there is now not even one series which is generally recognised as being outstanding. Some would argue that *Drop the Dead Donkey* should be allowed into the pantheon, and I would go some way towards agreeing, but - having recently watched the repeat series - would need to see more evidence of staying power before being sure. At least this series has the sort of joke frequency which we expect from the Americans, and jokes and character development go hand in hand as in *Cheers* and *The Golden Girls*.

It is a little early to be certain, but it does not look as though it will be possible to say the same of either *Don't Tell Father* (Sundays BBC1) or *Side by Side* (Mondays BBC1). After watching these it scarcely seems any wonder that the rest of the world con-

tinues to believe - despite the rigid pecking order in Arab states, despite the position of blacks in the US, despite the caste system in India - that class consciousness is somehow peculiarly English. Both series seem obsessed with the minutiae of class distinction.

The title *Side by Side* is a reference to the semi-detached proximity of middle class Gilly Bell who went to art school, drives a scarlet Citroën 2CV, and has been condemned to genteel poverty by widowhood, and Vince Tolley, a cockney plumber with loudspeaker but no taste who wants to build an extension, my dear, with Greek columns. Script sample: "I sat at Swami Boogar's feet for five years" - "That must have been uncomfortable" - "I was not!"

Don't Tell Father, which stars Tony Britton as a rich thespian paterfamilias on his fifth wife (Susan Hampshire, who gets few lines, but the same bit of business each week

where she drags on a cigarette and then frantically sprays mouth and room with breath freshener) inhabits an even more old-fashioned world not far removed from that of Lord Suckey and His Pals. In tones which recall Dame Edith Evans saying "A handbag?" Britton has to say things such as "How is it going to look if my daughter marries a manipulator of motor vehicles?"

The central idea of the grand actor is based upon popular assumptions which were going out of date at about the time Donald Wolfit was moving up from juvenile leads, and although the plot has so far concentrated on the desire of the fat daughter to marry a driving instructor called Marvin Whipple (named laughter) instead of a member of the county set, there is on the reserve bench a Marxist-Leninist daughter (black leather, blonde and gorgeous) who talks only of the downtrodden workers, and a hippy son who

is forever tripping out and practicing transcendental meditation. Perhaps Roy Clarke delivered the script in 1982 and the BBC has only just found it.

At this juncture, if I were in charge of situation comedy for a British television company, I would continue with the traditional British "fragile genius" system: high quality comedy from fragile geniuses left alone in their garrets (or later their penthouses) to produce polished masterpieces in glorious isolation, a fact established for all time by *Fawlty Towers* - just so long as they proved they were geniuses. Otherwise I would start experimenting with the American joke-or-does team system: more jokes in the places I say or you leave by that door.

Something certainly needs to be done if British television comedy is to avoid going the way of *Punch* (hollow canned laughter).

Christopher Dunkley

Brighton Festival/Ronald Crichton

The Rake's Progress

Brighton's Festival, large and popular, owes a debt to New Sussex Opera for its imaginative productions in the Dome in past years of *Benevento Cellini* and *Tannhäuser*. NSO opened the musical part of this year's programme with Stravinsky's *Rake's Progress*, quite unsuitable for the Dome and given in the Gardner Centre. With no orchestra pit, limited stage possibilities and total absence of theatrical atmosphere that building has its own kind of unsuitability, underlining how inadequately Brighton, in spite of cultural pretensions, houses the arts.

The likely outcome was that Stravinsky's prickly, glinting orchestral score would play havoc with the voices. Mercifully, thanks to devotedly careful playing from the NSO orchestra and to the watchful and understanding conducting of Lionel Friend, that did not happen. There was some toning down of sharp edges, and at favourite moments like the saraband for Baba's entry into Tom's house, there was more sound than bite. But given the circumstances the results were honourable.

Among the leading soloists, Mary Hegarty's Anne Trulove was a delight. One does not often find a soprano who can look like a country girl and give such an accomplished account of both the big aria at the end of Act one and the lullaby in Act three. Tom Rakewell was Mark Curtis, a polished tenor without quite the full lyricism the difficult solos need. Adrian Clarke, the Nick Shadow, has an incisive, tenorish baritone, not black enough for this role, but as effective as the producer allowed.

And as to the staging. John Lloyd Davies may well have been anxious to avoid comparisons with the Cox-Hockney Glyndebourne *Rake*, still fresh in the memory. He has cer-

tainly made his version as unlike as possible. The permanent set is an outdoor jumble of drapes with a black and white cut-out of tall modern buildings expressionistically slanted and a no-style house for Tom. *The Rake* however marked a return to formal values: among other things a sense of place (not necessarily period place) is required by Auden and Kallman's text as well as the music. Of this there is no sign.

Whimsical contemporary references abound, making a point or two - for a brief moment. Shadow communicates with Tom from an executive's desk by telephone. An expanding row of Roman clock-face numerals marking the running-out of Tom's permitted time is partly hidden by the orchestra. Lighting of the cyclorama by changing, possibly symbolic colours, is overdone. Moments in the score normally strongly poetic, like the trumpet solo uncannily evoking winter in a deserted London square, go for nothing. Were there ever whores so un-erotic (identical red ballet skirts)? The NSO chorus sings lustily, its acting is mainly notable for rushing about.

Auctioneer Sellem was overplayed and understated by Philip Slane, in a pop-star jacket. Mary King's Baba the Turk was touching in her kindness to Anne. Anthea Nayall's Mother Goose was barely audible. In the small role of Anne's father, Stephen Richardson was absolutely right. With all its faults, the show deserves a larger audience than it drew for the first night on Friday. Our expiring century has not produced many operas of such high quality.

Performances tonight and tomorrow. Festival Box Office (0273) 676747.

By Jupiter

The play from which this musical was taken featured the young Katharine Hepburn making an eye-catching entrance running down stairs dressed in an armoured breastplate and short skirt and carrying a dead stag over her shoulder. No wonder Rodgers and Hart thought they had a winner.

The musical that they made was *By Jupiter*. On Sundays between now and mid-October in the Barbican Cinema 1 a series of "lost musicals" is being given in concert performance and *By Jupiter* at the weekend was the first. Four other shows by Schwartz, Porter, Weill and Rodgers again (*Do I Hear a Waltz?*) will follow, each hopefully with the same musical zest, even if there is only a near bone-tonk piano for accompaniment.

Written in 1942, *By Jupiter* was the last collaboration of the Rodgers and Hart partnership. It was completed while Hart was in hospital, with Rodgers at his bedside whistling tunes until the lyricist had no option but to find some words to fit them. It ran for 427 performances and, although a war-time show, is a comedy with few serious political overtones, except perhaps the scene where the Amazonians are exhorted to "give, give, give" to raise money for arms.

The scene is set in ancient times, but the point is to mock modern attitudes. With the Greek army of men facing the Amazonian women across the battlefield there is also plenty of scope for jokes on the reversal of the sexes - men who knit socks for their women at war, and so on.

Rodgers's music is mostly rhythmic, snappy, not especially memorable. The most hummable number is a sentimental ballad, "Wait till you see her", sung by Theseus, who has come to claim the goddess Diana's girdle, but ends up with rather more. The Greek camp also includes a cowardly Hercules and Homer, a "war correspondent and writer of travel books", just two from a cast-list that relishes a good classical caricature when it comes.

In this workshop performance the show went with a sing, the women taking the honours over the men, Louise Gold and Briony Glassco as the ruling Amazonian sisters in particular. Further performances of *By Jupiter* follow on Sundays in May.

Richard Fairman

Discover the Lost Musicals 1932 season runs most Sunday afternoons until mid-October at Barbican Cinema 1 (071-638 8891)

Theatre/Andrew St George

Brecht's 'Edward II'

"It's more important," said Brecht, "for the set to tell the spectator he's in a theatre than to tell him he's in, say, Andalus... the best thing is to show the machinery." This has been followed in the latter in Brecht's *Das Leben Edwards II von England* (adapted from Marlowe's *Edward II*) at the Glasgow Citizens Theatre. Philip Prowse's design and direction delivers an exciting play, politically apt and dramatically rigorous.

The first production in Munich (1924) used titles preceding the scenes and announcing the contents. The life of Edward II (1284-1327) became a pattern of linked events: his infatuation with Gaveston; the consequent civil unrest of 1312-23 and subsequent battles at Scarborough and Warwick; Edward's years in an oubliette at Berkeley Castle; and his murder. The play's Chorus - named Smith - plays the part of history, binding up the past, changing with the times.

Prowse rightly makes this a mechanical production; the

design and style inform the play. Each scene opens simply, without taking account of its predecessor or successor but working together as components of an ending which resolves everything. The set is a functional tripartite black dais which allows the actors to pop up from trench-like interstices. Brecht thought every design should have its own climax, and this coup takes the form of a stage drenched with water - from suspended buckets - representing the castle sewer at Berkeley. Stark lighting and apt costumes, sumptuous clothes for the peers and rags for the commoners, clinch the integrated effect.

The actors follow the difficult path cleared by Brecht's verse. Unlike Marlowe's original, Brecht's *Edward* keeps itself plain, leaving no room for the comforts of intimacy. The overall style is stark, direct and pared-down, not without Brecht's lyrical attempts at Marlowian rhetoric.

The cast's unromantic acting supports the production's anti-

realism. Laurence Rudie's witty, slightly Edward becomes a neurotic ready for the worst. His adversary, Mortimer (played by the limber Tristan Jellinek) is a mirror of opportunistic, all strategy and purpose. Edward's wife, the Queen (tightly played by Julia Blalock) finds herself caught up by events beyond her control, complaining of "the small of too much history." And Edward's lover, Gaveston (Patrick O'Kane) maintains a resolute otherness in face of others' hostility.

This production's strength lies in its ability - consistent with Brecht's ideals - to make matters of political authority bear on every relationship. Marlowe's play dealt with power, but was also about love; Brecht's is solely about power. The murder of Edward with the red-hot poker was excised by Brecht; instead, Edward is suffocated, ending not with a bang but a whimper.

Citizens Theatre, Glasgow until May 23 (041 428 0023)

Purcell's 'Fairy Queen'

Only 25 years ago Benjamin Britten made his arrangement of *The Fairy Queen* because it was thought "impractical" to stage Purcell's music together with the Shakespeare play for which it was written and pretty difficult even to persuade an audience to sit through the whole of the musical score. How quickly attitudes change.

One of the hits of the Aix-en-Provence festival in recent years was just that: a production of *A Midsummer Night's Dream*, with the play suitably shortened, that incorporated all of Purcell's music performed by Les Arts Florissants under William Christie. That production spawned a successful recording and on Saturday the musical performance arrived in concert at the Barbican, with just a sliver of dramatic high spirits.

This group plays the music as though each performer knows it inside out and loves every note. With only ten musicians (a string quartet plus a few each of wind and

brass) this was essentially chamber music in style and the performers' intimate understanding of what each other are doing was half the joy of the evening. A piece like the famous air "Ye gentle spirits" became liquid and flexible, seemingly freed from its bar-lines.

There are those who find this aspect of Christie's Purcell too French in flavour, as though niceties of nuance have replaced good, solid English rhythmic impetus. The counter-argument is that his *Fairy Queen* takes flight in imagination and is so full of life, magical, poetic, sensitive, that it makes most other performances sound earthbound.

In Les Arts Florissants' previous visits to London the weakness, if there was one, was the singing. This time Christie brought a very respectable cast, including one outstanding singer in the soprano Véronique Guens, who delivered the Plaint with immaculate beauty, and a pair of well-versed English tenors in Charles Daniels and

Mark Padmore. Like the instrumentalists, they worked as a team, holding the audience spellbound through long, cumulative sections of the score.

There was no play. Instead Jeremy Sams set the scene with a linking narration, which Harriet Walter delivered with the splomb of an Anne Russell ("Imagine a fairyland as conceived by Capability Brown"). And Graham Spicer, producer or "metteur en espace" as his task was described when rendered into French, added a few judicious movements: just a single wink to cap Coridon and Mopsa's lascivious duet.

Whether such additions are necessary is a matter of opinion. When Christie and his musicians are on stage, I am inclined to think that there is more than enough to stimulate the imagination, for Purcell's delightful and magical world seems to lie at their fingertips.

Richard Fairman

INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

AMSTERDAM

Muziektheater 20.15 Kirov Ballet in Le Corsaire, also Fri, Sat and next Mon: Swan Lake. Tomorrow and Sun afternoon: La Damnation de Faust (8255 455)
Concertgebouw 20.15 Carlo Maria Giulini conducts the Royal Concertgebouw Orchestra in Schumann's Piano Concerto (Evgeny Kissin) and Dvořák's Ninth Symphony. Repeated tomorrow in Amsterdam and on Sat in the Hague. Sun in Concertgebouw: Alfred Brendel (8718 345)

ANTWERP

De Vlaamse Opera 20.00 Rudolf Werthen conducts a concert performance of Puccini's *La Rondine*, with Nelly Mirtigoli. Repeated on Fri and Sun afternoon, also in Ghent next Tues (233 8885)

BARCELONA

Gran Teatre del Liceu 21.00 Arnold Oestman conducts Stefan

Piontek's Dresden production of *La Cenerentola*, with Kathleen Kuhlmann (412 1486). Tomorrow in Palau de la Musica: chamber music with members of the Barcelona City Orchestra. Fri, Sat and Sun morning: Barry Douglas plays Rakhmaninov's First Piano Concerto. Sun evening: Zubin Mehta conducts the Israel Philharmonic (268 1000)

BONN

Oper 20.00 Thomas Fulton conducts Nicholas Joel's new production of Simon Boccanegra, with Bernd Weikl, repeated on Sun. Fri: 'Youri Vamov' ballet Vathek. Sat: Lieder recital by Weikl (773667). Tomorrow in Beethovenhalle: Itzhak Perlman gives European premiere of Earl Kim's Violin Concerto, with the Beethovenhalle Orchestra (773666)

COLOGNE

Philharmonie 20.00 Rhine Chamber Orchestra plays works by Mozart and Joachim Herbold. Tomorrow: piano duos with Anthony and Joseph Paratore (2801)
Opernhaus 19.00 Carmen, also Sun. Tomorrow and Sat: Der riesige Holländer (Robert Hale). Fri: Jochen Ulrich's ballet Vom Zorne des Achilleus. Mon: La fille mal gardée (221 8400)

FRANKFURT

Musik Alte Oper 20.00 Enoch zu Guttenberg conducts the Sinfonia

Varsovia and soloists in a programme of Mozart overtures and arias. Tomorrow and Fri: Jiri Belohlavek conducts the Frankfurt Radio Symphony Orchestra in works by Dvořák, Lalo and Beethoven. Sat: Michel Plasson and the Orchestre National du Capitole de Toulouse (1340 400)

Opernhaus 19.30 Così fan tutte, also Fri. Tomorrow and Sun: La clemenza di Tito. Sat: William Forsythe's ballet Slingeland. Another Forsythe ballet, Limb's Theorem, can be seen at the Schauspielhaus on Fri (236061)

THEATRE The Schauspielhaus repertoire includes Chekhov's Uncle Vanya and Shakespeare's The Merchant of Venice (2123 7444). The English Theater Kaiserstrasse has a new production of Fences by the contemporary black American playwright August Wilson, who won a Pulitzer Prize and Tony Award for this play in 1987. Opening on Sat, daily except Mon till July 4 (2423 1620)

LONDON

Covent Garden 19.30 Kenneth MacMillan's Royal Ballet production of *Manon*, with Viviana Durante. Repeated on Fri with Dorey Bussell. Tomorrow and Sat: L'elisir d'amore (071-240 1066)
Royal Festival Hall 19.30 Vladimir Ashkenazy conducts the RPO in Schoenberg's Violin Concerto (Viktoria Mullova) and Sibelius' Second Symphony. Tomorrow: Philip Glass Ensemble (071-928 8800)

Queen Elizabeth Hall 19.00 Peter Robinson conducts David Freeman's Opera Factory production of Monteverdi's *The Coronation of Poppea*. Runs till June 21, with next performance on Sat. Tomorrow: London Sinfonietta plays Maw and Schmittke plays (071-928 8800)
Barbican 19.45 Michael Tilson Thomas conducts the LSO in Britten's *Young Person's Guide*, Barber's Violin Concerto (Alexander Barantshchik) and Tchaikovsky's Sixth Symphony. Tomorrow: Yo-Yo Ma and the ECO (071-638 8891)

MADRID

Zubin Mehta conducts the Israel Philharmonic in concerts at the Auditorio Nacional de Musica tonight and tomorrow. Fri, Sat Sun: Josep Pons conducts the Spanish National Orchestra in works by Halffter and Berg (337 0100)

MUNICH

Staatsoper 19.30 Prokofiev's ballet *Cinderella*, production by Riccardo Duse. Tomorrow and Fri: Madame Butterfly with Anna Tomowa-Sintow. Fri and Mon: Werther with Ariza and Balza. Sat: Don Giovanni with James Morris and Julia Varady (221316). Fri and Sat at Gasteig: Colin Davis conducts Beethoven's Missa Solemnis (558080)

NEW YORK

THEATRE ● The Extra Man: new play by

Richard Greenberg. In previews (Manhattan Theatre Club at City Center, 131 West 55th St, 581 7907).
● Eating Raoul: musical adaptation of Paul Barile's 1982 film (Union Square Theatre, 100 East 17th St, 307 4100).
● Jelly's Last Jam: Gregory Hines has the lead in a new musical about Jelly Roll Morton. George C Wolfe directed and wrote the book (Virginia, 245 West 52nd St, 239 6200).
● Candide: stage adaptation of the Voltaire classic. Until May 17 (CSC, 136 East 13th St, 677 4210).

● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

ROME

Teatro dell'Opera 19.30 Mascagni's opera *Caavalleria Rusticana* and Alfredo Casella's ballet *La Giarra*. Runs till May 16, with next performance on Sun (488 3841). Tomorrow in Teatro Olimpico: Handel's oratorio *Jephtha* (323 4890)

STOCKHOLM

Royal Opera 19.30 Donizetti's *Maria Suarda*. Tomorrow and Fri: John Neumeier's ballet *A Midsummer Night's Dream*. Sat: first night of new production of Boccaccio, opera by Suppé (248240)
Berwaldhallen 18.30 Rafael Frühbeck de Burgos conducts the Swedish Radio Symphony

Orchestra in a concert with vocal and instrumental soloists from the Stockholm Conservatoire. Sat afternoon: Arve Tellefsen and Frans Helmersen play Brahms' Double Concerto (784 1800)

VIENNA

Staatsoper 19.30 Leopold Hager conducts Der flegelende Holländer, with Monte Pederson, Ingrid Haubold and Kurt Moll. Tomorrow: Prokofiev's ballet *Romeo and Juliet* (51444 2960)
Kammersoper 20.00 Shostakovich's *The Nose*: new production previewing tonight, opening night Sat (513 6072)

ZURICH

Opernhaus 20.00 Nikolaus Harnoncourt conducts Jürgen Flimm's production of *Fidelio*, with Gabriela Benackova and Thomas Moser, also Sat. Tomorrow: Don Giovanni. Fri: Semiramide with Edita Gruberova. Sat: Guglielmo Tell (262 0905)
Tonhalle 19.30 Michael Boder conducts the Tonhalle Orchestra in works by Bartók, Mendelssohn and Saint-Saëns. Fri: Isabelle van Keulen gives premiere of Martin Durgin's new Violin Concerto (201 1680). Sat: Shura Cherkassky plays Liszt's First Piano Concerto. Sun: Zurich Chamber Orchestra (261 1600)
Hallenstadion 20.00 José Carreras sings arias and popular songs, with the Berna Symphony Orchestra under Elio Boncompagni (223 4482)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN 2000-2200, 2300-2300 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel 0830-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTV

2100-2200 (Tues) Media Europe - what's new in European media business

2130-2200 (Wed) FT Business Weekly - global business report with James Balliol

0830-0900 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report

0930-1000 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN 0800-0830 World Business This Week - a joint FT/CNN production 1900-1930 World Business This Week

Super Channel 1800-2000 FT Eastern Europe Report

CNN 1000-1100, 1800-1830 World Business This Week

Super Channel 1800-1830 FT Business Weekly

Sky News 2330-0100, 2330-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday May 6 1992

Dip below the German-line

IN TURBULENT times, human beings naturally cling to apparent certainties. That no member of the European exchange rate mechanism shall have lower interest rates than Germany appears to have assumed law-like status in UK government circles, unchallenged save by the foolhardy. But there is no necessary connection between the ERM and a German interest rate floor, merely as the philosopher David Hume might have remarked, an impression created by recent history. The UK should put this to the test.

Yesterday's welcome half a percentage point interest rate cut still leaves UK rates in double figures and there are few signs that anything other than a very half-hearted recovery is under way. The easing of UK monetary policy over the past 18 months has been modest compared with that in the US, Canada or Australia, which have had similar recessions.

Yet the discipline of the ERM appears to rule out further cuts. The UK short-term interest rate differential with Germany has now narrowed to a mere quarter of a percentage point. No ERM country has managed to sustain lower rates than Germany without its exchange rate breaking through the bottom of its permitted bands and so requiring higher interest rates. The UK, if the Treasury is to be believed, is not about to follow the French example of last year and cut rates below Germany's only to be hit by a harsh and ignominious retreat. The outbreak of pay-related strikes in Germany, and the rapid growth of the Bundesbank's treasured monetary aggregates, suggest that German interest rates will keep the floor high for some months yet.

Claim undermined

But it is not possible that the very events which are keeping German interest rates high are also undermining Germany's claim to be Europe's model of anti-inflationary rectitude? Germany has maintained lower interest rates in the past because of the Bundesbank's impressive record. But the inflationary hangover from German unification has dented Germany's credibility. West German workers do not want to pay for the reconstruction of east Germany by moderating their pay claims, hence last year's

rise in wage inflation, and this year's strikes.

The Bundesbank's credibility depends on whether it, and the government, are willing to stand firm against these wage demands. If the government does yield in the face of popular unrest, as it may, and the Bundesbank accommodates the pay increases by permitting a burst of inflation, which it just might, then its reputation will be damaged. Mr Major's finest hour might be at hand: with five years of Conservative government in store, and lower headline inflation than in Germany, what better government to lead a cut in European interest rates?

Superficial arguments

The UK Treasury will be right to resist these superficial arguments. The anti-inflation constituency in Germany remains strong, and the Bundesbank Council may well sanction a further rise in rates, however internationally embarrassing for Mr Kohl or, indeed, Mr Schlesinger. Even at the top of its boom, Germany still has lower underlying inflation than post-recession Britain. UK wage inflation must fall, and soon, before the UK can style itself a low-inflation country.

Yet there is another reason, unrelated to Germany's current troubles, why the UK could cut its interest rates again: its wide ERM bands. If the UK were to cut its short rates below those in Germany, sterling might slip towards the bottom of its bands. But the fact that sterling could conceivably appreciate by 12.7 per cent from the bottom to the top, might well be enough to persuade investors that lower UK rates were worth the gamble. The UK could not maintain this expectation indefinitely, and it would do nothing to ease long interest rates, but it might keep short rates lower for a while.

In short, the UK should cut interest rates again soon and enjoy its wide ERM bands rather than ditching them in some misplaced act of Eurocommitment ahead of its presidency of the EC. So long as inflation remains on the downward path, this will be the right approach, even if it does raise the risk of having to raise interest rates again if sterling plunges. The rest of northern Europe will just have to wait.

A strategy for UK education

MR JOHN Patten, Britain's new education secretary, faces an *embarras de richesses* in implementing the Conservative manifesto pledge to increase the number of grant-maintained schools opting out of local education authority control. Half a dozen education authorities are encouraging their schools to opt out *en bloc*, to avoid a two-tier system with some opted-out and others not. Given the generous funding available to grant-maintained schools, this is a very real danger.

Mr Patten has condemned such mass opt-outs as attempts by town hall bureaucrats to manage the process to their own advantage. Ministers believe that education authorities are trying to structure the terms of disengagement to foment their services on opted-out schools. More validly, they say that opting out can work only if the parents, governors, head and teachers work as a team to make the new arrangements work.

But the response from these - often Conservative - authorities reflects nothing more than a recognition that opting out is here to stay. While only just over 200 of the 33,000 schools in England and Wales have so far opted out, the return of a Conservative government has accelerated the process. More than 2,000 schools have asked for details of the procedures, and most secondary schools are likely to make the jump during the next five years. Legislation is promised to allow smaller primary schools to opt out in groups.

Weak mechanism

This raises fundamental questions about the future of education in England and Wales. One is how such schools are to be managed: the mechanism of control appears to be weak, as the experience of Stratford school, east London shows. Its school governors have been at loggerheads with the head teacher for some months, throwing the school - and the education of its children - into turmoil. The former education secretary Mr Kenneth Clarke attempted to intervene three times, largely without success.

If thousands of schools are to opt out, the education department will have to create a decentralised administration to manage and fund them, not to mention an

authority representing the views of the wider community beyond parent-dominated boards of governors. This task could be fulfilled by modified local education authorities acting as purchasers of education services; if the government has some other idea in mind, the time has come to explain it.

Efficiency questions

Then there are questions of efficiency and economy. Eliminating 1.5m surplus school places cannot be done other than by closing schools, yet schools threatened by closure can often avoid this fate by opting out. Similar problems arise with plans to re-organise post-16 education into sixth-form colleges: schools which wish to retain sixth forms can opt out to thwart rationalisation.

With additional resources needed in many parts of the education system, the profligacy which this anarchy permits cannot be tolerated. Some way of closing surplus capacity and avoiding wasteful duplication must be found; schools cannot do this on their own.

Finally, there is the question of selection. Increasingly opted-out schools will specialise and provide for special needs, creating "centres of excellence". This is commendable, but there are signs that specialisation is becoming an excuse for re-introducing selection. The London borough of Wandsworth, for example, last night considered plans to make all its secondary schools selective.

Supporters say that this will increase diversity and improve choice for parents. But the unpalatable truth is that such a process is likely to recreate a two-tier education system in which the selective schools cream off the most able and motivated, reducing choice and probably resources for the rest. Genuine choice requires well-funded technical and vocational schools which enjoy parity of esteem with more academic schools.

A stable institutional and policy framework is essential if managerial reforms such as opting out are to be successful. Before encouraging a stampede of opt outs, Mr Patten should produce a medium-term educational strategy which encompasses such a framework and offers a vision for the future.

Mr Norman Lamont's decision to cut bank base rates yesterday by 0.5 percentage points to 10 per cent is a moderate gamble with sterling's international standing that will not translate into a perceptibly strong recovery in the UK economy for some time.

The rate cut will clearly do no harm to the Conservative party in tomorrow's local elections. But it was overdue on economic grounds, as the government's provisional figures for Britain's gross domestic product in the first quarter of this year are likely to show when published later this month.

These could well indicate a continuing decline in output in a recession that has already become the longest since the 1930s. Although there has since been a marked recovery in consumer and business confidence, especially since the Conservatives' election victory on April 9, hard evidence of economic revival has been patchy.

On the other hand, the government's decision means Britain's officially inspired interest rates are now only 0.25 percentage points higher than the comparable German Lombard rate at 9.75 per cent. The differential between UK and German short-term rates has not been so low since 1981, when UK rates briefly dipped below those of Germany after a period of two years when sterling, then a petro-currency, had been exceptionally strong.

Since he became chancellor nearly 18 months ago, Mr Lamont has pursued a cautious but successful policy of reducing interest rates in response to falling inflation in the UK. Although the differential between UK and German rates has narrowed from about 7 percentage points in October 1990, when Britain joined the exchange rate mechanism of the European Monetary System, yesterday's rate cut - the first in eight months - falls into this cautious category.

It came after careful testing of the money and foreign exchange markets, but was late last week by the Bank of England. Also fed into the judgment of the Treasury and the Bank of England were the impressions of future German policy moves and dilemmas gathered by the chancellor and Mr Robin Leigh-Pemberton, the Bank of England governor, at last week's meeting of the Group of Seven leading industrialised countries in Washington.

The cut should help to turn the UK's so far elusive economic recovery into reality. But there are doubts whether the upturn can be strong enough to meet the Treasury's target of 1 per cent growth in GDP this year. This fact alone implies that the UK economy could take advantage of further rate cuts to return to steady growth while avoiding the risk of recent inflation. But, despite the recent recovery of sterling in the EMS and the economic and social problems currently wracking Germany, yesterday's rate cut looks as if it will be the last for some months.

This is bad news, given that Britain's policymakers are not dealing with a conventional recovery. High levels of debt in the corporate and personal sectors have weakened the usual levers of policy by dissuading businesses from investment and households from new purchases.

Initial returns from leading high street traders suggest that there has been no significant increase in retail sales since the election result lifted the threat of increased income tax burdens from higher-

Yesterday's reduction in UK base rates was overdue, but may not be enough to spur a quick recovery, writes Peter Norman

Another cautious cut for growth

Motor traders, whose fortunes were boosted in Mr Lamont's March Budget by the halving of the special car tax and tax incentives for company fleet buyers, appear to have experienced some recovery. It is expected that official figures tomorrow will show that UK car sales in April recorded the first year-on-year rise since October 1989.

But in the vitally important housing market there is little sign of an upturn. Although mortgage rates followed base rates downwards and the government decided last December to give housing a further boost through a temporary suspension of stamp duty on most house purchases, sales of houses fell to a seasonally adjusted 87,000 a month in the first quarter of this year from 102,000 in the previous quarter. The decline took place against a grim background of still rising unemployment, falling house prices and a continuing, albeit diminishing, wave of house repossessions.

Expectations were high that the housing market would revive once pre-election uncertainties were dispelled by the return of Mr John Major's government. But yesterday, senior UK officials admitted that it was hard to find any trace of "animal spirits" in the housing market in recent weeks.

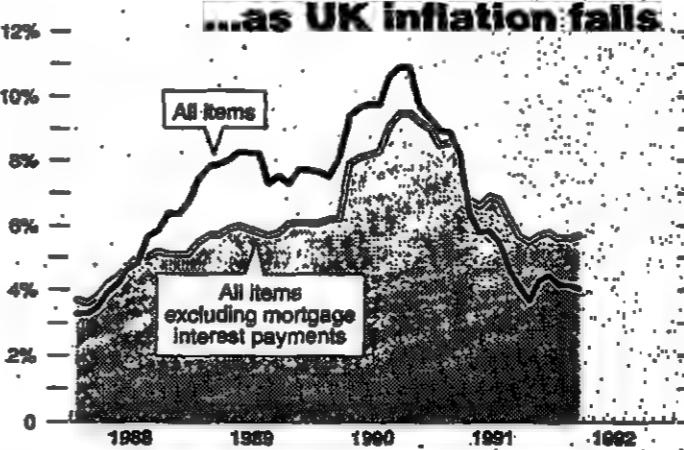
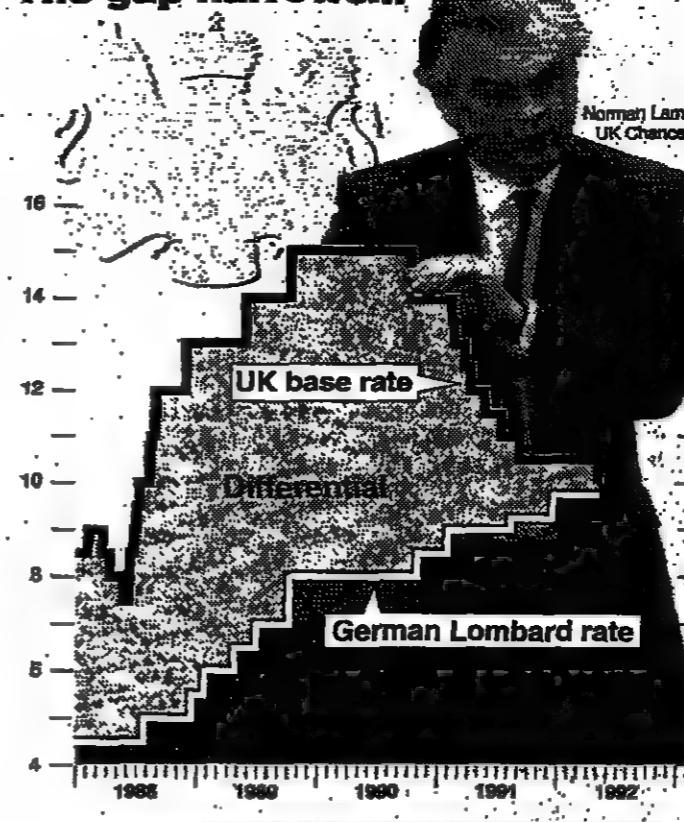
The dilemma facing Britain's policymakers was highlighted by the building societies' response to yesterday's base rate cut. The biggest lender, the Halifax building society, responded with a reduction in mortgage rates. But the scale of the cut - 0.3 percentage points to 10.55 per cent for new borrowers - was less than the base rate reduction, reflecting the decision of the societies and other mortgage lenders to cut rates by 0.5 percentage points earlier this year in anticipation of a pre-election base rate cut that never materialised.

The new Halifax rates will mean that the average borrower with an endowment-linked mortgage of £50,000 will save just £13.13 a month. Although such a saving will be augmented by the effects of the modest tax cuts in Mr Lamont's March budget, it is unclear whether they will untie consumers' purse strings.

Indeed, the mortgage rate and tax cuts may do little more than offset an overall drop in real personal disposable incomes. According to Salomon Brothers, the US securities house, real incomes may have fallen by 0.5 per cent in the first quarter of this year compared with the final three months of 1991, as rising unemployment counteracted the effect of relatively low wage settlements.

Although the UK's inflation performance has been mildly disap-

The gap narrows...



pointing in recent months, with the annual rate of increase in the retail prices index and the so-called underlying rate of RPI, which excludes mortgage interest payments, both higher in March than in October last year, the Treasury and Bank felt no qualms in sanctioning a base rate cut yesterday on domestic economic grounds.

Where they did pause for thought was on the international front. Last week in Washington, Mr Helmut Schlesinger, the Bundesbank president, tried to assure Germany's leading trading partners that a further rise in short-term German interest rates was improbable.

But a week is a long time in Ger-

man monetary politics. When the UK authorities took the plunge yesterday, they were aware that the Bonn government might be about to make concessions in the brewing public sector wage dispute and conscious that tomorrow's Bundesbank council meeting would have the wage round and the inflationary pressures besetting Germany high on its agenda.

The Frankfurt-based Bundesbank directorate might oppose a rate increase, partly out of consideration for Germany's allies. But would the hardline counter-inflationists among the state central bank governors take a similar line? And would they, as they have done in the past,

steamroller an interest rate hike through the council? That Mr Lamont decided to cut base rates partly reflects the enhanced standing that the UK and sterling have enjoyed in financial markets since the election. Mr Major's new government, armed with a working majority that should be good for a full five-year term, has suddenly made Britain appear an island of political stability compared with Germany, France or the US.

Also important has been a gradual reappraisal of Germany's problems in financial markets and foreign finance ministries. When the Bundesbank pushed up its key interest rates in December to the highest levels since the 1930s, the D-Mark's function as the anchor currency in the ERM was unquestioned. All Germany's ERM partners, except Britain, followed suit with interest increases of their own. The UK response was to let the sterling exchange rate take the strain by allowing it to fall within the pound's wider 6 per cent fluctuation margins.

Now nobody is quite so sure that a German rate increase would trigger the same response. British policymakers, for example, argue that a German rate rise would be more readily accepted by the markets as a sign of Germany's own serious problems, ranging from the difficulty of absorbing eastern Germany and the strain that this entails for public sector budgets, to the current public sector workers' strike which could boost already high German wages to uncompetitive levels.

In short, Germany's problems pose a risk for the UK government's interest rate policy. But it appears a risk worth taking.

This is particularly the case if future inflation and productivity trends are taken into account. Although the course of the annual rate of RPI may be uneven, there is little doubt in the Treasury and the Bank that inflation in Britain is on a downward course. Similarly, UK productivity is growing, partly because of the labour shock-out that accompanied the recession.

So why are the UK authorities not considering a faster reduction in interest rates? One reason is that to bring UK rates below German levels would really be a step into the unknown. Britain's inflation rate, as measured by the RPI, may be below Germany's. But this does not mean that the UK's low inflation credentials are well established. Seared on the corporate memory of European finance ministries is the French experience at the end of last year, when the authorities in Paris were forced to move their rates upwards following the Bundesbank's December move. This was despite France having an inflation rate that was markedly below that of Germany and a tighter, more credible fiscal policy.

UK domestic politics are a further spur to monetary caution. The last election was a very risky venture for Mr Major and his team because the economic and political cycles had been allowed to become unchronicled. The prime minister defied traditional wisdom by winning an election while the economy was gripped by recession.

At the start of a new five-year term, Mr Lamont has no interest in accelerating the recovery at the risk of reigniting inflation. Depending on events in Germany a further very small rate cut may be in the pipeline, but it is highly unlikely until late in the year.

LOMBARD

Bolivia's latin lesson

By John Barham

Audits and accountants are hardly the stuff of high stakes political intrigue. But in Bolivia, bean counting is becoming a high-risk profession.

Law approved a law introducing financial controls, snap inspections and audits throughout the government in a bid to reduce corruption and make public administration more efficient. The aim is to make government more accountable, strengthening Bolivia's fragile democracy. The clampdown threatens powerful people, principally the politicians, businessmen, unions, generals and bureaucrats who for generations have plundered the state with impunity.

The architect of the law is Mr Antonio Sánchez de Lozada, a choleric 60-year-old businessman who was appointed Bolivia's comptroller-general in 1982. He has dedicated his 10-year term, which has six months left to run, to the seemingly hopeless task of making his department - a sort of turbocharged audit bureau - effective for the first time since its creation in 1928.

Mr Sánchez de Lozada realised that many of Bolivia's problems stemmed from a powerful, but ineffective and corrupt state. Until recently, it dominated the economy and incurred unsustainable deficits financed with crushing foreign debts and inflation; the result was permanent instability; and as state-controlled institutions became increasingly discredited and ceased to function, so the office of the state began to crumble.

No other country in Latin America is a better example of this institutional paralysis: Bolivia has had more coups d'état than any other state; poverty is widespread; and hyperinflation, having reached a peak of 24,000 per cent in 1985, forcing the government to introduce radical economic reforms, has now been brought under control, and the

economy is growing modestly. Yet government remains as ineffective and discredited as ever because corruption and incompetence have not been satisfactorily attacked.

The free-market reforms sweeping Latin America remain tenuous, in part because few countries have established sound institutions as the bedrock of democracy and a capitalist economy. In February, Venezuela was shaken by an army uprising. Last month, President Alberto Fujimori seized dictatorial powers in Peru. Shortly after, Bolivia's President Jaime Paz Zamora threatened to close congress.

Yet there are some encouraging trends. Argentina is now emulating Bolivia's reforms. This is significant, given that Argentina's recent past is as unenviable as Bolivia's. Buenos Aires is introducing free-market reforms in addition to auditing and control mechanisms similar to Bolivia's.

Bolivia's legislation on auditing controls will introduce a framework of modern management principles underpinned by clear policy objectives and budgets. The comptroller-general is in charge of enforcing targets, authorising snap inspections of bureaucracies and conducting routine audits. He also has the power to prosecute. The auditors will check all departments of the executive branch - including sensitive areas such as the armed forces. Monopolies and companies or organisations that receive state support must also be monitored.

Besides tackling corruption and boosting efficiency, the legislation is designed to make government accountable.

The system has yet to be fully introduced and so it is too early to draw any conclusions. Yet nobody doubts Mr Sánchez de Lozada's personal commitment. Much of his

work has been low-level and routine, although several cases have brought him face to face with the biggest names in Bolivian politics. He and his staff have received death threats.

Few people really believed congress would approve the reforms. But Mr Sánchez de Lozada says: "After 1985, people were willing to listen. Hyperinflation opened their minds. Everyone was fed up with extortion. People are demanding institutions that are beyond the grasp of politicians."

Nonetheless, he has few illusions about the challenge he faces. Many of the concepts underlying the legislation (like the rule of law and accountability) are recent developments in Latin America.

Countries with a history of authoritarianism can hardly be expected to change overnight. Any reforms in Bolivia will remain largely ineffective without the development of a professional civil service and judiciary independent of the government of the day.

There are considerable misgivings about the government's motives for approving the audit law. Many dismiss it as a public relations exercise and doubt it will ever confront big business, the ruling party or the army. Until now, these groups were beyond effective control.

Equally, no Latin country has shown it can resist the international drug trade's recourse to bribery and intimidation.

Mr Sánchez de Lozada's investigations into corrupt practices are now being criticised as likely to provoke another coup. His term of office expires in November. If his successor is a cynic, the doubters will be vindicated. But if the government appoints a respected and effective replacement, Latin America's weakest democracy will have taken another big step forward. It would be a step its neighbours would do well to copy.

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Edward Mortimer

Nations in glass houses

On an international yardstick, it is difficult to uphold the charge of racism against the US



FOREIGN AFFAIRS

The predictable effect of last week's riots in Los Angeles has been an outbreak of smug comments on the US in the rest of the world. Early off the mark was President François Mitterrand of France. "It's very nice," he said in a radio interview on Friday, "to promote capital, profits and investment in business, but these riots show that the social needs of any country must not be neglected."

George Bush is a generous man, who embodies an extremely conservative political ideology, and American society is conservative and economically capitalist. Here are some of the results of that.

Well, I suppose that was just not tempting an opportunity for a Socialist president with his back to the wall to pass up. But Americans are not likely to be much impressed by homilies from that quarter. "We haven't just had a 14 per cent vote for a neo-fascist party," was one comment I heard from an American conservative analyst. "You should see the riots they had in Paris if 35 per cent of the population belonged to minorities," was another, from a Francophile middle-of-the-road lawyer.

Nor will Americans be unduly worried by the Egyptian newspaper, Al-Ahram, which asked whether the Los Angeles riots could suggest a fair trial in the US. In the light of the Rodney King verdict.

But Mr Roger Wilkins, the distinguished black historian who helped shape the Johnson administration's response to the Watts riots in Los Angeles in 1965, is happy to endorse the remark of a Japanese official quoted in the Washington Post: "There are black people who really have no future, who are completely left over... The trend of US society was almost to forget about them." And a thoughtful political analyst like Mr Norman Ornstein of the American Enterprise Institute foresees that the image of itself that America has just projected will be seized on by Third World dictators who are the targets of American criticism. "There are going to be a lot of people at the UN," he said, "and Americans will not take kindly to that."

Two main charges can be levelled at the US on the basis of last week's events. The first is a very specific one of racism, reflected in the unwillingness of a white jury to convict four white policemen whom the entire nation had seen savagely beating and kicking a prostrate black man, in an amateur video repeatedly shown on television.

The second is a more general one, of being a callous, socially divisive and violence-prone society, in which such an incident can set a whole city on fire, causing 55 deaths and billions of dollars worth of damage.

Both charges are true, but if an international yardstick is used, the charge of racism is the harder of the two to sustain. Most black Americans clearly believe, no doubt with reason, that they are consistently targeted for harassment and mistreatment by the police. But so do most members of racial minorities in western Europe, and no doubt in Japan as well. What is striking to a British visitor is how many of the police, including police chiefs in many of the big cities, are themselves black — as indeed are many of the mayors.

Of course the fact that Mayor Tom Bradley is black did not prevent what happened in Los Angeles, but much of the blame has been laid at the door of his white police chief, Mr Daryl Gates, both for the general atmosphere prevailing in the Los Angeles police department, and for the specific failures which occurred last week.

Mr Gates had in fact been fired from his job before the acquittals were announced (he is to be replaced by a black from Philadelphia with a liberal reputation), and appears to have been virtually on strike. Perhaps he was as surprised as everyone else by the trial verdict, but surely contingency plans should have been made.

Some of the anger might have been blunted if all the accused had been dismissed from the force as soon as the verdict was announced — even if their conduct was not criminal, it has been repeatedly and officially declared a gross violation of proper professional procedures; and the prompt deployment of police in the right places might have deterred many of the rioters. Instead, Mr Gates went off to a fund-raising event for a movement to oppose police reform.

Anyway, it was striking that the riots did not spread to many other cities, and particularly not to New York and Washington where it might have been expected. Both cities have black mayors who issued firm and clear statements deploring the verdicts but warning against any violence. None of this implies, of course, that racism is not widespread or even endemic in American society. My point is that, unfortunately, this is true of almost all industrialised societies with large ethnic minorities, and that the US since the 1960s has done more than most to combat it. Urban poverty and squalor are not unique to America either. The problems of homelessness, drug addiction and chronic unemployment are all too familiar in Europe's large cities.

Where America sadly does lead the industrialised world is in the level of violence, and in the enormous disparity between rich and poor. No doubt the absence of gun control and President Reagan's tax policies respectively go far to explain those two points.

"Most Americans," writes Prof Mohamed Rabie in a recently published book, "claim and honestly believe that they are living today in the most civilised society ever when, in fact, living in the United States probably means living in one of the most violent and least secure societies in modern times."



Omnibus

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Polyester not an ICI invention

From Mr Leonard Dossent.

Sir, Your story, "Raw materials of a promising deal" (April 24), refers to ICI's "difficult decision to stop making polyester, which the company invented..." I am aware that this myth originated from ICI's PR department during the Hanson-ICI polemics. But I would have thought by now that someone at ICI would have corrected this error.

Polyester was invented and patented by the late Dr Rex Whinfield and his co-workers at Calico Printers Association. Dr Whinfield told me that CPA decided the project was too big and so he was instructed to approach ICI.

ICI three scientists eventually declared that the fibre had "no future" — a severe blow to Whinfield and CPA. The CPA board decided to send Whinfield to see Du Pont US, even though it knew that in those days ICI and Du Pont had a technical and commercial information exchange agreement and Du Pont would know of the ICI rejection.

Whinfield was told to try to at least get his research outlay back — which, if my memory is correct, was \$55,000. Du Pont decided to buy the US version of the patent, and Whinfield was delighted to sell for that sum.

When ICI learned of Du

BT idea of level playing field a bar to new competitors

From Mr Malcolm J Matson.

Sir, While I support the recent call to Ofcom from the National Consumer Council and the Consumers Association to impose a price cut on BT ("Ofcom is urged to order BT price cut", April 30), it raises a more fundamental issue.

The Telecommunications Act 1984 places upon the secretary of state and the director-general duties, among others, to "promote the interest of consumers" and "to maintain and promote effective competition". As the director of a company that has recently submitted an application to the Department of Trade and Industry for a public telecommunications licence to operate in competition with BT, I too have an

interest in seeing that BT reduces its prices now.

Left to itself, BT will not do so until forced by competition. Not only is such a delay against consumers' interests, but given BT's market dominance, it will, by definition, have an impact on new competitors at the very point when they are vulnerable to being still-born or ineffective in quickly eroding market share.

For too long BT has argued that "promotion of competition" involves the creation of a level playing field on which it and new market entrants should compete on equal terms. This is a beguiling but fallacious argument that has permitted BT to pursue a corporate policy broadly aimed at

preserving its dominant position.

The director-general of Ofcom should abandon his attempts to control the increase in price of BT's services in favour of accelerating the availability of services to consumers at reduced prices, from whatever supplier. He should afford BT the opportunity of immediately increasing or reducing the price of any of its services during this current price review, but prohibit it from making any further price changes until it has lost a substantial share of the relevant market sector.

Malcolm J Matson, chairman, National TelCable, 40 Bowdoin Green Lane, London SE18 1NE

Share not worthless

From Mr John Allday.

Sir, Charles Batchelor's article ("How to put a value on a share of the action", April 28) suggests that a shareholding of 25 per cent or less in a private company is "practically worthless, particularly if no dividends are paid and majority shareholder(s) are ready to face the minority out". I wonder whether the many small minority shareholders who

have benefited from their companies exploring the opportunities of an exit route would agree with this generalisation. Valuation is indeed more of an art than a science. It should always reflect the possibility of shareholders being able to reap the benefit of unlocking several years' undistributed profits from an apparent illiquid and risky investment. Subjective, yes, but "practically worthless", no.

John Allday, Ernst & Young, 1 Lambeth Palace Road, London SE1 7EU

UK engineers' dull image no bar to growth in Europe

From Mr Neal Hattersley.

Sir, Ron Kirby (Letters, April 24) and A V Drew (Letters, April 29) raise important, but infrequently debated issues about the contribution of civil engineering to UK commerce.

Despite the public's perception of our industry, epitomised by the (true) joke that if you look up the word "boring" in Yellow Pages you are directed to "see Civil Engineers", revenues of the top 10 UK consulting firms grew by 14 per cent in 1991's recession-ridden business environment. Indeed, no fewer than six of Europe's top 10 civil engineering firms are British. My firm

has grown 38 per cent in the last two years to rank in the top five and has recruited actively in that period.

Last March we bought control of a firm located in former East Germany with the full support of the employees. Our management capability and technical excellence led them to favour us in preference to offers from other European countries and the US.

British engineering is as strong now as it has ever been; why else, for example, would a Japanese organisation have come to us to design a telescope in Hawaii? However, recently, when the City of Lon-

don rightly decided to celebrate the centenary of Tower Bridge in 1994, it chose to create a theme based on London in 1894, ignoring our pleas to mention other great river crossings designed by British engineers in Sydney, Hong Kong, across the Bosphorus in Turkey and even in Hull.

The 500,000 foreign visitors expected to visit the bridge will thus leave thinking Britain's engineering talent dried up in 1894. World such a state of affairs be allowed to happen in Germany? I think not, but then our firm in Germany, which though large is not unrepresentative, has women in over half

its technical positions while in the UK annual job applications from female engineers to Acer can be counted on the fingers of one hand. In Germany, engineering is recognised as a foundation for the country's wealth. In the UK, it is undervalued and misunderstood. "Design" is viewed as glamorous engineering as dull.

Neal Hattersley, marketing manager, Acer Consultants, Maple House, 21-24 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey GU2 5YD

OBSERVER

Accountants in the red

While singing the praises of its profession, the annual report of the Institute of Chartered Accountants in England and Wales suggests it might do well to learn some of the business skills its members are expected to possess.

Growing words describing its activities nestle among colour photos of its London offices at Moorgate Place. The figures at the back are rather more disappointing: the Institute is in the red for the second year running, with a pre-tax operating deficit of £241,000.

Income rose slightly faster than expenditure, but even with a £117,000 tax offset the growing number of bureaucratic bean-counters (up from 366 to 415 staff) were forced to knock £194,000 off their reserves. Accountancy, its glossy magazine, and courses and conferences were among the losers.

To be fair, the losses are lower than last year, at a time when the Institute has had additional statutory obligations. It has also launched an ambitious campaign to persuade its members to vote to raise subscriptions.

Still, the Institute is certainly not selling off the family silver to make up the shortfall. It purchased another £15,000 worth of silver and antiques to add to its revalued £2.4m collection. Readers may doubtless also be gratified to know that the value of wine held as stock has increased to no less than \$58,000.

In the meantime, members should perhaps be grateful that their Institute refrained from merger discussions last year — and hope that it does not indulge again for a while.

Enemy rations

Unilever employees are so fiercely loyal to their company's products that some even carry around packets of them, suggesting which they produce at outside business lunches.

Imagine the scene then, when an FT colleague was invited to lunch yesterday with Mike Perry, Unilever's chairman-elect, in his private dining room and spotted on the table several pots of fruit yoghurt made by Müller, a German company unconnected with Unilever.

Perry's consternation could hardly have been greater if a cockroach had crawled across his plate. An immediate investigation was ordered, which revealed that the catering department had decided to offer a wider range of fare at directors' lunches.

Observer predicts that culinary experiments of this kind will not survive for long after Perry takes over the chair at Unilever today.

Happy ending?

There is an increasing end of an era ring about the recent non-stop festivities in the Associated Newspapers' stable. The Mail on Sunday had its tenth birthday and great fuss was made of the 21st anniversary of the Daily Mail going "compact".

It is also the 21st anniversary of Sir David English's time at the Daily Mail's editorial helm, and the 5th of his departure from the paper.

Not so chummy

At first sight the battle for Midland Bank seems to be getting ever so cosy. Lloyds Bank has hired GJM to do its political lobbying, while its rival, the Hongkong Bank,

has now engaged Lowe Bell Communications to fight its corner.

Once upon a time GJM and Lowe Bell were all part of the same Frank Lowe media empire. And although Sir Tim Bell, Mrs Thatcher's favourite spin doctor, has bought out Lowe Bell, Lowe Group still retains a 20 per cent stake and so benefits both ways.

Nevertheless, one wonders what happened to that no-compete clause whereby GJM and Lowe Bell are supposed to work together rather than against each other. This is the first time that Sir Tim has challenged his old partner.

Quiet exit

It is more than a little ironic that the Far Eastern Economic Review, which has fought so ferociously over the years for the freedom of the press in totalitarian places like Singapore, should spike its editor's last leading article.

The reason why Philip Bowring's rather self-indulgent trip down memory lane has been replaced by a couple of ads is not hard to understand. After taking a few side swipes at such prestige US editorial products as the Readers Digest and Time Warner, Bowring proceeds to pen what seems like a thinly veiled obituary to all that he was proud of during his 20 years at the Review.

However, it says something about the editorial insecurity of the Review's US owners, Dow Jones, that they would not permit Bowring to have his final say, however misguided it might be.

Oh yes you do...

Sad to see the notice of appointment of administrative receivers to You Never Give Up Limited.

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comparing his dealings... to Siemens. Mr. J... But the loss of... Hachette and Matra... yesterday... first... less... attracted by the... a hostilely indebted... any shareholders... here's what may be... of the new holding... according to form it will... 20.25 per cent... of the proposed... which provides... but more... is an appropriate... structure given the...

for the capital structure... continued... at a price. Almost... support is in the form of... the more cautious... on this basis, Hachette's... would be 10 per... after the proposed...

Reshuffle at Inco
Low initial prices and uncertainty about the... intentions of the Russian nickel producers... have placed Inco, the western world's biggest... nickel producer, back under financial pressure... Inco's operating costs have risen steeply... during the past four years and now the Canadian... metals group has undergone a management... upheaval. Page 22

Hong Kong lifts Pacific Rim
A record high in Hong Kong and a burst of... institutional buying in Singapore helped Pacific... Rim stock markets overcome a listless performance... from Japan ahead of the Golden Week holiday... However, the gain in the FT-Australia... World index was restricted to 0.5 per cent in... local currency terms partly because of the Jap... anese performance and weakness in Europe... Back Page

Chief price changes yesterday
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INTERNATIONAL COMPANIES AND FINANCE

DnB cuts losses to Nkr601m in first quarter

By Karen Fossli in Oslo

DEN NORSKE Bank, the troubled Norwegian bank, has reduced its first-quarter net losses to Nkr601m (\$93.5m) from Nkr788m in the same period last year. It attributed the improvement to lower credit losses, growth in net interest income and a reduction in operating costs.

Group operating profit, before credit losses and taxes, rose by Nkr17m to Nkr424m. The bank said a Nkr45m charge was made against accounts to cover write-downs and losses arising from the sale of fixed assets.

Credit losses were reduced by Nkr172m to Nkr102m but non-performing loans rose by Nkr105m from the end of last year to Nkr102.7bn.

Group net interest income increased Nkr113m to Nkr1.14bn but other operating

income fell by Nkr117m to Nkr45m.

A reduction of Nkr28m to Nkr13m in income from securities trading contributed to the decline, as trading in foreign exchange and other financial instruments fell Nkr92m to Nkr70m.

DnB said that results of Realcredit, a mortgage company acquired last year, were included for the first time in the group's accounts. Realcredit contributed Nkr68m to total net interest income.

The bank said that, as a percentage of total assets, first-quarter net interest income rose to 2.28 per cent from 2.04 per cent a year earlier.

DnB said that the previously announced preferential share issue to raise Nkr2.38bn will be launched in late May or early June, and that shareholders would soon receive a subscription offer.

DSM tumbles 43% as margins tighten

By Roneld van de Krol in Amsterdam

DSM, the Dutch chemicals group, said that net profit had tumbled 43.8 per cent in the first three months of 1992, reflecting lower profit margins in hydrocarbons and polymers, its biggest division.

Net profit fell sharply to F100m (\$54m) from F178m a year earlier, when business was already weak because of the Gulf war. However, the first-quarter result was up 12 per cent from the second half of 1991.

Turnover declined 8 per cent to F1.438bn, with a 9 per cent increase in volume sales only partially compensating for the average 16 per cent decline in selling prices. Acquisitions accounted for about half of the increase in volume sales.

The first-quarter downturn, in line with the company's

expectations, was attributed to narrowing profit margins, particularly in hydrocarbons and polymers.

The company said it could not predict full-year profits because of uncertainty in worldwide economic recovery and currency movements.

Group operating profit mirrored the development in net profit, falling 43.8 per cent to F140m from F255m.

DSM's financial charges almost tripled to F132m from F11m a year earlier, because of an unspecified increase in borrowing. However, the company's tax bill fell to just F11m from F61m, reflecting a higher percentage of tax-exempt income in the total result.

In 1991, the company's net profit after extraordinary items plunged by 40 per cent to F158m. The company nevertheless left its 1991 dividend unchanged at F16 a share.

Financial gains lift Roche to SFr2.04bn

By Ian Rodger in Basel

CONSOLIDATED sales of Roche, the Swiss pharmaceuticals group, rose 26 per cent in the first quarter, to SFr3.3bn (\$2.17bn), Mr Fritz Gerber, chairman, said yesterday.

However he warned that the growth rate was inflated by a sharp decline in the Swiss franc against the dollar, and by the abnormally weak performance during the comparative period because of the Gulf war.

In local currencies, the sales growth rate was 17 per cent. Roche revealed detailed accounts for 1991 showing that financial gains contributed almost all of the 40 per cent increase in pre-tax profits to SFr2.04bn.

Mr Gerber said growth in operating profits was so strong that the group decided to spend heavily on pre-marketing of new drugs. Marketing and selling expenses jumped 20 per cent to SFr2.5bn. The group's research and development costs also rose 20 per cent, partly reflecting the higher level of research spending of Genentech, the US biotechnology group in which Roche bought a 60 per cent stake in 1990.

Roche also charged to expenses SFr200m for intangible assets acquired last year, and SFr62m for the merger costs of its two fragrance subsidiaries, Glaxo and Roure.

Mr Gerber, Roche's director, said Roche would be in no hurry to change its capital structure following changes in Swiss law in July making it illegal to raise capital through dividend rights certificates. Roche has issued 7m such certificates. Mr Gerber said he foresaw no need to raise more capital.

Swissair, Switzerland's national airline, said first-quarter revenues rose 8.3 per cent, while costs increased 4.9 per cent. The load factor dropped visibly because of the deployment of new aircraft, and budget targets were not met. Mr Otto Loepte, chief executive, said the group was prepared to cut costs further.

Bruised, but back to battle for a dream

William Dawkins on the changing fortunes of Hachette controller Jean-Luc Lagardère

For someone who admitted yesterday he had suffered the worst setback in his career, the 64-year-old Mr Jean-Luc Lagardère, French media and technology magnate, has bounced back surprisingly well.

A visibly relieved Mr Lagardère announced that his big institutional backers had agreed to bail out Hachette, the leading French publishing group he controls, paving the way for him to realise a long-held dream: to merge Hachette with Matra, the defence, space, telecommunications and transport combine which he also controls.

The merger will create a powerful FF133bn diversified group, to be called Matra-Hachette. It will have 50,000 staff, and be among the French top 20 in turnover terms.

Mr Lagardère likened it to General Electric, the US group whose interests range from aerospace to media and banking. The sales split will work out at 57 per cent from Hachette activities, and the remaining 43 per cent from Matra. There will be nine divisions: distribution, press, book publishing, audiovisual, telecommunications, defence, space, cars and transport.

Mr Lagardère has persuaded his bankers to save Hachette

from what must have been one of the most expensive peccadilloes in French corporate history. Moreover, he has - at a price - gained secure control over the new group.

Matra-Hachette will be controlled by a holding group, MMB Holding, which will have two managing partners: Mr Lagardère himself, plus Arjel, a family-controlled holding group managed by senior Hachette and Matra executives.

Of course, he has paid heavily for the rescue. Mr Lagardère's direct and indirect stakes in the holding group will nearly halve from 19 per cent to around 10 per cent as a result of the deal. It is likely that from now on, the institutions involved will exert strong control over at least the financial management.

"They could have put Hachette into bankruptcy three months ago, so they really have strong negotiating power. Now they will want to see some repayments, and if they want that, they will have to change the way the group is managed," says Mr François Langlade Demoyen, head of research at Credit Suisse First Boston France.

Mr Lagardère insists that a *commandite* structure is quite compatible with modern



Jean-Luc Lagardère: Hachette's new boss

demands for quoted companies to be open and transparent, and that the partners are kept under the pressure of market forces by knowing they are personally liable for all the group's debts. "It is the only opportunity for us to remain independent," he admits. "But it's not a blank cheque."

Mr Lagardère, a perpetually tanned sports enthusiast, turned to a boxing metaphor to describe his position. "I have

been forced to put my knee to the ground and people have said that I am KO'd. I say 'no'. I am lifting myself up quickly to attack the 12th round, not just to finish the match, but to go on the offensive, to win."

This would, he admitted, be his final bout, but he would at least be able to pass on the fight with "complete success".

Who the new boss will be, when Mr Lagardère hangs up his gloves, is still a mystery. Mr Lagardère made no secret yesterday of the fact that he would like to hand on to his only son, Arnaud, 30, who is currently running a small venture capital unit attached to a bank in the Lagardère empire.

However, the banks will of course have a strong influence on the succession. Whether the merger will make any practical difference to the fortunes of Matra and Hachette is a matter of intense scepticism among stockbroking analysts, who do not understand how a successful company can be born by shunting together two troubled ones. Indeed, the initial reaction from brokers in Paris yesterday was that Matra would, if anything, suffer from being hitched to its cash-hungry partner, and that Hachette would benefit from tighter management

imposed by the banks. Hachette, the world's fifth largest communications group and the largest newspaper distributor, lost FF1.9bn last year - its first deficit in a decade - because of La Cinq's collapse, and will still have FF5.8bn of debts after the refinancing. Matra, which has no debts, saw its net profits collapse from FF606m to FF252m in 1991.

Mr Lagardère argues that together they will be stronger than alone: that cash will be able to circulate freely where needed, greater diversification will even out sharp swings in earnings, and administrative economies will be possible.

The greater size and stability of the new group should also make it more appealing to foreign partners, who in recent years have been an important part of Mr Lagardère's strategy in defence and electronics. Matra's telecommunications division is, for example, within weeks of sealing an alliance with a "leading world group," he said.

So the initial picture is that Mr Lagardère's banking friends have helped him save face. Yet just how much control he personally will have over Matra-Hachette will depend on the highly sensitive negotiations between him and the banks over the next few months.

British Fittings posts £3m deficit

By Jane Fuller in London

THE SHARE price of British Fittings Group, a weapons manufacturer and distributor of pipelines, fell by 31 per cent yesterday, from 185p to 126p, as the company announced a surprise pre-tax loss of nearly £3m (£5.34m). It also announced senior management changes.

The company took an extraordinary charge of £1.8m to cover the theft last year of brass and copper bar and plate from a subsidiary. The theft is being investigated by the police.

Announcing the figures yesterday, Mr Brian Stanton, who is about to relinquish the role of chairman while continuing as managing director, said: "A month ago I was still working

on a pre-tax profit of £2m to £4m. Two and a half weeks ago I had a phone call to tell me that had happened. It was the first I knew that the profit we were talking about had turned into a deficit."

The Birmingham-based company had warned the stock market in February its 1991 pre-tax profit would be less than the £5.7m predicted at the time of a £7.1m rights issue last July. This was already below the £9.2m made in 1990.

A new finance director - Mr Cecil Buckett, formerly of Newmans Trunks - took office on May 1. He replaced Mr Brian Smith whose position on the board is under review.

Yesterday's figures showed that operating profit slid from £3.1m to £3.15m on turnover

of £22.2m, down from £26.7m. While the biggest division, pipeline equipment, limited its fall to less than 50 per cent, water pumps made less than a quarter of the previous year's figure, and non-ferrous metal distribution fell into the red.

Exceptional costs of £3.15m were incurred. The main causes included redundancies and an adjustment for errors in a subsidiary's 1990 balance sheet which were being investigated by the Fraud Squad.

Mr Stanton said seven subsidiary directors had been replaced by four new appointments as part of efforts to tighten financial controls. The loss per share was 12.95p, against earnings of 20.09p. The final dividend was cut to 4p making a total of 5.975p (7.85p).

SOUTH AFRICA 1992

The FT proposes to publish this survey on May 29 1992.

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FT SURVEYS

HAVAS ANNUAL RESULTS 1991

Dividend per share + 15.9%

At its meeting of April 16, 1992, chaired by Pierre Dauzier, the Board of Directors of Havas reviewed and approved consolidated and parent company financial statements for financial year 1991.

While business conditions were clearly less favorable in 1991, Havas successfully withstood the effects of the overall economic slowdown. Among the highlights of the consolidated financial statements were:

- revenues amounting to FF 26.5 bn, up 12% on the previous year or 6.2% when restated for constant structures. 30% were generated outside France, compared with 7% in 1986;
- income from operations before taxes amounting to FF 1,851 million, 6.4% less than in 1990;
- consolidated net income, group share, of FF 1,083 million representing a moderate decline of 6.1% on the previous year. This is FF 33 million above the latest estimate given February 13, 1992;
- return on average equity for the year of 19.5%;
- cash position at the end of financial year amounting to FF 1,939 million;
- 90% coverage by cash flow and asset disposal on FF 2,360 million investment against 76% on FF 2,267 million in 1990.

FINANCIAL HIGHLIGHTS	In FF millions				
	1991	1990	1989	1988	1987
Revenues	26,497	23,661	18,870	15,796	13,708
Income from current operations before taxes	1,851	1,978	1,892	1,160	764
Consolidated net income	1,083	1,154	1,204	800	620
Net income, Group share	1,083	1,154	1,204	751	551
Cash flow	1,151	1,210	1,109	748	542
Shareholders' equity*	8,178	6,989	5,811	2,600	1,771
Fixed assets	8,072	6,526	4,567	2,874	1,549
Investments	2,360	1,465	1,381	944	469
Net income per share (in FF)**	28.1	30.1	27.5	22.3	16.4
Employees (consolidated companies)	12,462	11,904	11,383	9,407	8,549

* total equity including minority interests
** calculated on pro rata dilution

From 1986 (the last year before the group privatisation) to 1991, Havas' revenues have multiplied by 2.3. Havas' revenues take into account the revenues of fully integrated companies: AFM, ODA, IP and Havas Tourisme.

Over the same period the group operating profit including the companies accounted for by the equity method (Eurocom, C.E.P. Communication, Groupe de la Cité, Canal+ and CLT) multiplied by 3.2 times, cash flow by 2.9 times, equity by 4.5 times, investment by 5 times and dividends by 5.8 times.

Over the last 5 financial years FF 8.7 bn have been invested to strengthen and develop the Group.

DIVIDENDS AND STOCK MARKET PERFORMANCE

The Board of Directors agreed to propose at the General meeting of shareholders an increase of the net dividend (excluding over fiscal) from FF 690 to FF 8 per share. The shareholders will have an option to receive the payment of the dividend in shares.

Even though Havas' share underperformed the CAC 40 index since June 1990, it has increased by 2.7 times since privatisation in May 1987 (FF 505 on April 16, 1992 vs FF 187 on an adjusted basis for privatisation).

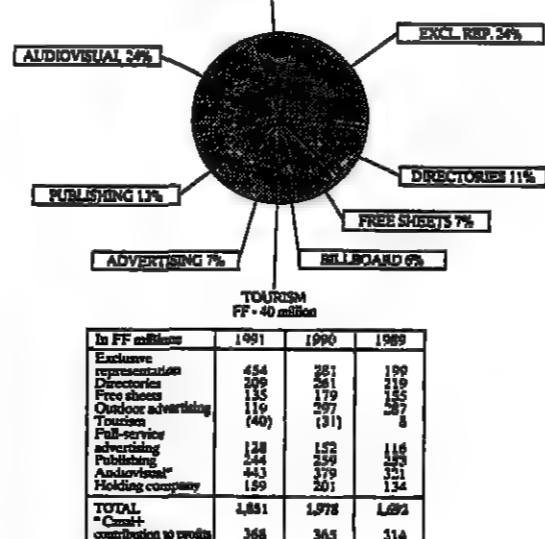
1992 OUTLOOK

The advertising spending slowdown in the French market over the last 18 months has been largely compensated by the return on international investments made in high growth sector and by strong productivity gains.

Havas' 1991 profit was derived 60% from advertising activities (Media, exclusive representation and full-service advertising) and 40% from media activities not related to advertising. The outlook for financial year 1992 is more favorable than in 1991.

Revenues over the first two months of 1992 increased 10.7% (both on current and comparable basis). French revenues grew 5.8% and international revenues 24.7%.

INCOME FROM OPERATIONS BEFORE TAXES FF 1,851 million



HAVAS TO INCREASE ITS INTEREST IN COMAREG
In agreement with Mr Paul Dini, Comareg's second largest shareholder with a 23% interest, Havas, which controls 62% of the company, is offering all shareholders one Havas share for every two Comareg shares.

Avenir Havas Media, a 56.4% subsidiary of Havas, will not contribute its Comareg shares to the offer. The Comareg group, which reported revenues of FF 1,823 million in 1991, is engaged in two main businesses:

- publication of free sheets, a field in which it is French and European leader through 170 titles representing a circulation of 15 million and 145,000 classified advertisements each week;
- distribution of advertising material through subsidiary Delta Diffusion, which in 1991 distributed 2.5 billion documents through its 120 centers.

By raising its stake, Havas is paving the way for further development of synergies between Comareg and other group companies. Examples of what has already been achieved are the joint subsidiary set up with Avenir Havas Media in the Paris region and more recently, a similar undertaking with C.E.P. Communication. The move will also allow Comareg to finance acquisitions without calls on the market.

This simplification of group operational structures is subject to the authorization of French market authorities Conseil des Bourses de Valeur and Commission des Opérations de Bourse, and will be submitted to the companies concerned for approval.



For further information, write to HAVAS - Investor Relations.
120, avenue Charles-de-Gaulle - 92200 Neuilly-sur-Seine, France - Phone: (1) 4747 3000

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Payment of the principal amount of the Notes will be made upon presentation of the Notes with Coupon No. 16 and following attached, at the offices of either of the following Paying Agents:

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INTERNATIONAL COMPANIES AND FINANCE

O&Y to present debt plan to bankers on Thursday

By Robert Peston

OLYMPIA & York, the troubled property developer, is to meet on Thursday with representatives of its 15 largest creditor banks to outline long-term plans to restructure its \$12bn debt.

At the meeting, to be held in London, O&Y will for the first time give the banks details of how much interest it would like them to defer and how long it would like them to wait for interest and principal payments.

O&Y said it would provide the banks with a five-year business plan. It said it expected banks would find "the plans reasonable" and a basis for further negotiation.

Until now, O&Y has only provided banks with details of how much money it needs to borrow to keep operating for the next 90 days.

The company has been finding it difficult to raise funds for its short-term requirements in Canada and at Canary

Wharf, the office development in east London.

Providers of around \$5bn of loans to O&Y's parent company and close subsidiaries are expected to be asked to make the biggest sacrifices. Interest and principal could be deferred to the end of the decade.

Of the \$5bn, the main facility is a \$2.5bn "jumbo" loan to Olympia & York Resources Credit Corporation which is split into four portions:

- a \$1.25bn European tranche, arranged by Crédit Lyonnais of France and Germany's Commerzbank, each of which are thought to hold \$250m;
- a \$750m Asian portion, all of which is said by bankers to have been provided by Hongkong and Shanghai Banking Corporation;
- \$250m provided by Royal Bank of Canada;
- \$250m provided by Daiichi Kangyo Bank, the biggest Japanese bank.

All these banks are expected to be represented at Thursday's meeting. Also expected to

attend are Citicorp of the US, Barclays of the UK, Canadian Imperial Bank of Commerce and Bank of Nova Scotia. They will act as representatives of all 100 of O&Y's banks.

The disclosure of the size of Hongkong Bank's exposure will embarrass that bank, given that it is in the middle of a battle with the UK's Lloyds Bank for control of Midland Bank. Yesterday Hongkong Bank refused to confirm or deny that it was holding all \$750m.

The meeting will be addressed by Mr Steve Miller, the investment banker from James D Wolfensohn Inc in charge of O&Y's bank negotiations, and by Mr Gerald Greenwald, who was recently made president and deputy chief executive of O&Y.

Bankers said they hoped Mr Paul Reichmann, O&Y's founder, would attend the meeting. However, an O&Y spokesman said he did not know whether Mr Reichmann would be there.

Petrobras gets fifth president in two years

By Christina Lamb in Rio de Janeiro

MR FERNANDO Collor, president of Brazil, yesterday appointed a new head at Petrobras, the state oil monopoly and one of Latin America's largest companies. Mr Benedito Moreira will be the company's fifth president in just over two years and 27th in its 38-year history.

The dismissal of his predecessor, Mr Ernesto Weber, has been expected ever since a cabinet reshuffle last month and the launch of a police investigation into the company for alleged manipulation of contract bids and misuse of its pension fund. Three directors were sacked last month.

In an interview with foreign correspondents last Thursday Mr Weber joked: "I am already getting old in the job - I have held it for eight months."

The news of Mr Weber's sacking came as he prepared to fly to Houston to receive the oil industry's top offshore technology award for the company's deep sea drilling operations. His trip was cancelled.

Five new directors were appointed yesterday along with the 61-year-old Mr Moreira who is the former head of the extinct Export Registration Bureau.

The new minister for Mines and Energy, Mr Marcos Prati de Moraes, said that Mr Moreira's appointment would mark a new phase in Petrobras operations.

The company, which has long been subject to heavy political interference, is expected to be given more autonomy as it prepares to confront possible competition.

In an interview with *Gezeta Mercantil*, Brazil's leading financial journal, Mr Moreira described Petrobras as "rather worn-out" and said he would give more priority to increasing the company's international operations.

Sappi buys 90% of Hannover Papier

By Philip Gawth in Johannesburg

SAPPI, the South African pulp and paper company, is to pay DM400m (\$242.4m and R225 through the financial rand) for control of Hannover Papier, one of Germany's leading producers of coated woodfree paper.

The deal is a considerable breakthrough for South African companies, being the first occasion since the implementation of financial sanctions in the mid-1980s that a SA company has used its own paper to finance a large acquisition.

It also consolidates the position of Sappi, a member of the

Gencor group, in the specialty paper market in Europe. In June 1990, it bought control of five paper mills in the UK, from which a new company, Sappi Europe, was formed.

Sappi will acquire 90 per cent of Hannover Papier's share capital, 30 per cent from Swedish company Ncb Aktebolag, the state-owned forestry group, and 10 per cent from Commerzbank of Germany.

Sappi will issue new ordinary shares to Commerzbank and convertible debentures for the Ncb shares. Ncb will receive cash and Sappi will assume Hannover Papier's borrowings of DM370m.

Sappi will seek a listing on

London, Paris and Frankfurt stock exchanges. Mr Eugene van As, executive chairman of Sappi, said the deal made Sappi one of the world's 15 largest paper groups.

He said Hannover had been extensively modernised so about 40 per cent of its capacity (430,000 tonnes of paper and 190,000 tonnes of sulphite pulp a year) was new. Hannover was regarded as an environmental leader in Germany: meeting environmental standards would not be an issue.

The German company was put up for sale late last year when Ncb, Hannover Papier's owner, announced it would have to realise assets because

of heavy losses. Ncb made a loss of SKr178m (\$30m) in 1991. Ncb's SKr1.25bn sale of its 80 per cent stake in Hannover Papier is a vital part of the Swedish state-owned forestry group's preparation for early privatisation, adds Robert Taylor in Stockholm.

Mr Lars Henrik Forsblad, Ncb's managing director, said yesterday the group's liquidity would "improve dramatically" and the deal would have a "positive effect on its profit ability this year".

Ncb calculates the divestment of Hannover Papier will reduce its interest-bearing liabilities to SKr1.75bn from SKr3.27bn last year.

Group that likes to take the plunge

By Philip Gawth

THE announcement that Sappi will pay DM400m to buy a 90 per cent stake in Hannover Papier, the German pulp and paper company, is the latest in a series of deals by the South African paper group.

Coming on top of a R1.1bn (\$380m) rights issue last October, the equity financing of the Hannover transaction will increase Sappi's equity base by 50 per cent in the course of a year. However, the company, part of the Gencor group, has a history of taking deep breathes and plunging in.

The Ngodwana mill, built in 1982 for R1.3bn, remains the largest industrial investment undertaken by a private company in South Africa.

It then cost 60 per cent more than the company's total assets. In July 1988, Sappi paid

over R1bn to buy Saiccor, the world's single largest dissolving pulp producer, and the Usutu pulp mill, from Courtauld. The purchase of five UK mills in 1990 was, at R500m, a large deal.

Mr Eugene Van As, executive chairman of Sappi, concedes the Hannover deal was larger than what Sappi was looking for, but he says it was too good to walk away from. He adds that with the industry at the bottom of the commodity cycle, there are many assets for sale, but none of comparable quality to Hannover.

The deal is certainly a watershed for Sappi. As Mr Van As comments: "Sappi becomes quite an interesting animal in South Africa. We're no longer a South African company with a bit of exports."

After the Hannover deal roughly two thirds of Sappi's

revenues and profits will come from exports and the activities of Sappi's non-South African subsidiaries. Few other South African industrial companies can make this claim. About 60 per cent of Hannover's sales are D-Mark denominated, the balance is sales into Europe.

This should make Sappi attractive for local investors who attach a premium to rand hedge shares - those where a portion of earnings is non-Rand denominated, thus offering protection from a depreciating currency.

Even better, Mr Van As notes, is that Sappi will also offer an assets hedge.

Sappi consolidates all its controlled subsidiaries outside of South Africa, and the Hannover transaction appears not only to be cheap, but to offer considerable synergies. Mr Van As says they are acquiring a

plant with the latest technology at an estimated 40 per cent discount to the replacement value of the assets.

The transaction comes fairly heavily geared, with borrowings of DM370m. Sappi is confident this will be reduced to zero by 1996, assisted by Hannover's powerful cash flow.

Sappi is not sitting still on the local front. The Saiccor plant is being expanded at a cost of about R900m, while the group is considering investments of R500m at the Tugela and Buxton operations.

While Sappi's earnings performance in recent years has not been spectacular - in the last economic cycle, from 1983 to 1990, compound growth in earnings per share was 18 per cent - management is confident the group will perform strongly in the next upturn.

Rossington raises offer for Acil

By Kevin Brown in Sydney

ROSSINGTON Holdings, Sir Ron Brierley's vehicle for a bid for Australian Consolidated Investments (Acil) yesterday increased its offer to 23.5 cents a share from 23 cents, and dropped a series of conditions.

Rossington, jointly owned by Brierley Investments of New Zealand and GPG, Sir Ron's US company, extended the bid to May 22 in a statement filed with the Australian Stock Exchange.

The revised offer values Acil at A\$130.17m, (\$89.6m) but is still well below the valuation of 33 cents a share placed on the company by Acil directors, who have urged shareholders to reject the bid.

Rossington's decision to

make the bid unconditional follows claims by Acil that shareholders controlling about 80 per cent of Acil stock would reject the bid unless the conditions were dropped.

However, Rossington has begun legal proceedings to block Acil's proposed flotation of its 86.6 per cent holding in Weeks Petroleum, an Australian oil company.

Rossington's initial bid was conditional on the abandonment of Acil's plans to sell its 50 per cent holding in National Brewing Holdings, formerly Bond Brewing, to Lion Nathan of New Zealand.

Acil and Lion Nathan said on Monday the New Zealand brewer had exercised a call option to acquire the stake, and indicated the transaction

would be completed by the end of the month.

About 40 per cent of Acil is owned by companies formerly controlled by Mr Alan Bond, the bankrupt entrepreneur. A further 19.9 per cent is owned by the Adelaide Steamship group, which is being reconstructed by its banks.

Sir Ron said the real value of Acil shares was about 25 cents, depending on "the ultimate wash up of [Acil's] many messy legacies from the Bond and Adelaide eras".

He said shareholders were unlikely to receive a better offer than the Rossington proposal, and warned they could do "a lot worse if the company's legal wrangles continue to proliferate as rapidly as in the past few months".

US media boss predicts recovery

By Alan Friedman in New York

A RECOVERY in earnings in the second half of 1992 was forecast yesterday by Mr Daniel Burke, president and chief executive of Capital Cities/ABC, the US television and newspapers group.

Mr Burke, speaking at the annual shareholders' meeting in New York, said the second-half results would benefit from an improvement in local and national advertising demand in the broadcasting division. The company's shares reacted with a rise of 7 1/2% to \$44.

"We cannot make predictions beyond that for the balance of the year, although we

expect the company's expense growth to be modest," Mr Burke explained.

The media group's 1991 net income declined by 28.1 per cent to \$343.5m, on revenues of \$5.4bn.

In the first quarter of 1992 net profits at Capital Cities/ABC plunged by 45 per cent, to \$58.5m, on unchanged revenues of \$1.26bn.

Mr Burke promised that ABC would remain "a player of consequence" in the global television market, having established partnerships in seven international media-based ventures to date.

In the US, ABC Television ended the 1991-92 prime time season in last place, just

behind NBC. "While I live for the day I can report to you that the network ranked first and second, I would rather that it made respectable profit," Mr Burke told shareholders.

He noted that the broadcasting division had earned \$669.7m of operating profit last year.

Mr Burke said while Capital Cities was considering acquisitions, it might be "entering a period where internally developed businesses make more sense for us".

He cited several internally generated ventures such as new magazine and fashion shows that have cost the company \$45m in start-up expenses.

MIM declines 12% to A\$46m

By Kevin Brown

MIM HOLDINGS, the Australian resources group, yesterday blamed weak metal prices for a 12 per cent fall in net profits to A\$46m (\$34.8m) for the nine months to April 5, on sales down 13.6 per cent to A\$1.2bn.

The result represents a significant improvement over the first six months, when MIM reported a 78 per cent cut in net profits to A\$18m, on sales down 10 per cent to A\$940m.

After including a second-quarter abnormal profit of A\$45.7m from the sale of its interest in Teck Corporation, net profits rose to A\$91.8m, from A\$53.8m the previous comparable period.

However, net profits fell to A\$70m after including foreign exchange losses and minority equity interests. The equivalent profit in the first nine months of last year was A\$30m.

MIM said profits had continued to be affected in the third quarter by weak metals prices, but reported excellent results from the Fongera gold mine in Papua New Guinea, which is 30 per cent owned by Highlands Gold, an MIM subsidiary.

The group said gold operations at Tick Hill also performed well, and coal operations at Oak Creek returned to profitability during the quarter. Oak Creek suffered a loss of A\$24m in the first six months, mainly

because of operational difficulties.

MIM said average copper prices during the nine months were 12 per cent lower than in the comparable period of last year. The equivalent falls in prices for other metals were 27 per cent for lead, 12 per cent for zinc and 10 per cent for gold.

The directors said the weakness in prices was likely to continue in the absence of signs of economic recovery in the metal consuming countries.

It said recent data on housing starts and retail sales in the US were encouraging, but this was offset by worsening economies in Germany and Japan.

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TURKEY

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*Data Source: Chief Executives in Europe 1990.

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INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Inco battens down the financial hatches

Kenneth Gooding examines the various pressures facing the Canadian nickel producer

Management upheaval has propelled Mr Michael Sopko to the top of Inco, the western world's biggest nickel producer, several years ahead of schedule. It has also put new management in charge of every one of the Canadian group's primary metal operations.

"These were the middle managers who got us through the recession in the early 1980s, when some analysts suggested Inco might go belly-up," Mr Sopko points out.

Inco is back under financial pressure today. Low metal prices and uncertainties about the intentions of the Russian nickel producers - the biggest in the world - are just part of the picture. Inco has also seen its operating costs rise steeply in the past four years.

Mr Ray Goldie, analyst at Richardson Greenfields, a Canadian stockbroker, estimates that, whereas in 1989 it cost Inco only US\$81 to mine a tonne of ore, last year it cost \$105 and in 1993 it will be \$118.

Meanwhile, the price Inco realised on its nickel has fallen from \$5.81 a lb to \$2.72.

There is little Inco can do about the nickel price. So Mr Sopko sees as his top priority "our urgent need to lower the cost of production."

He was appointed president of Inco only a year ago. In nor-

mal circumstances an Inco president would expect to spend some years in that role before getting a stab at the top job. But in December Mr Don Phillips surprisingly announced he was to retire in April this year and Mr Sopko was named as his successor as chairman and chief executive.

During his brief term as president, Mr Sopko restructured the management at Inco's Ontario division in Canada, its biggest, replacing four vice-presidents with three new ones. He also reduced the number of managers to five from seven and three of the five are new appointees. The new management team was instructed to cut costs by 30 per cent in the next three to four years.

Mr Sopko is the first Canadian-born chairman of Inco in the history of the Toronto-based company which celebrated its ninetieth anniversary in March. He is the son of a Czechoslovakian immigrant and a metallurgical engineer who graduated from McGill University in 1960. Now 55, he has spent all his 28-year working life with Inco. He says he was given some opportunities to shine along the way and took them wholeheartedly. But he suggests there are half a dozen other managers at Inco who could do his job "and the important thing is to be the



Michael Sopko: Inco's first Canadian-born chairman

right person in the right place at the right time.

"I replace a marketing man. Having a production person in place now that production costs have to be cut makes sense. People are selected according to the corporation's needs at the time."

Since his appointment was announced, Inco has been battling down the hatches. At present nickel prices it is breaking-even at best. It has cut planned capital expenditure this year to the bare minimum - only \$280m compared with the \$350m scheduled last autumn and the \$440m spent in 1991.

The group, which had a cash shortfall of \$173m last year, has also saved money by issuing shares in part payment of its contribution to the employee pension scheme.

Debt at the end of last year was \$1.26m, giving Inco a debt-equity ratio of 42:58. Mr Sopko says he does not want it to rise further and aims to return it to the 35:65 level as quickly as possible. He and other members of the Inco board have been talking to the credit rating agencies because Inco treasures its investment-grade rating. Which explains why the dividend has not been cut - but neither has it been lifted since 1989.

Mr Sopko insists Inco's financial pressures have to be seen in perspective. Although the company was criticised in some quarters for giving away too much during recent past pay negotiations, production costs since 1987 have risen only 15 to 16 per cent because of employment costs. Fully one third of the rise was caused by lower ore grades (less recoverable metal in the ore) and lower tonnage because some Inco mines are nearing the end of their lives and their replacements are not yet ready. A strong Canadian dollar also made an impact and, because Inco's capital spending has been very high, depreciation

and amortisation costs have risen sharply.

As the group's investment in new mines begins to pay off, costs will fall when tonnages metal yields improve, he points out. Inco's biggest investment - a \$530m, six-year project to reduce dramatically sulphur dioxide emissions at its Sudbury metallurgical complex - is nearly complete. This investment will bring savings of about \$20m this year and by 1994 an annual \$50m.

Mr Sopko suggests demand for nickel will grow at least by an annual 2 to 3 per cent, so nickel will remain Inco's core business. "We intend to be the lowest-cost producer and maintain our one-third market share."

That share makes Inco market leader, "and enables us to do things others can't - better research and better products". It also gives Inco credibility with customers who are therefore more likely to "join us in our long-term plans". Already 80 per cent of Inco's annual nickel output is spoken for by long-term contracts and sales to its downstream operations.

And, even with a production person in charge, Inco's financial goal remains a 16 per cent return on equity averaged out over the economic cycle.

Deutsche Bank plans DM1.5bn hybrid issue

By David Waller in Frankfurt

DEUTSCHE BANK, Germany's biggest bank, is planning to launch an issue of profit-participating certificates with options attached.

These "Optionsgenussscheine" will have a nominal value of DM1.5bn (\$837m) and the pricing and other details will be announced later this month.

The bank said yesterday that the proceeds would be used to refinance the bank's long-term business at the same time as strengthening its capital base, already the strongest in Germany with pure equity capital standing at around 6 per cent of total assets.

Each new Genussschein will have a nominal value of DM1,000. The issue will have a maturity of 12 years and a coupon of 8.75 per cent, and the option will entitle the holder to buy two new Deutsche Bank shares.

Genussscheine are a hybrid between debt and equity which are treated as Tier Two Capital by the Bank for International Settlements and Regular Liabilities by German regulatory authorities.

They are popular with German banks as no tax has to be paid on the interest, and Commerzbank said last month that it is planning a similar issue as well as a full equity rights issue later in the year.

Four options exchanges in European link-up

By Simon London in London and Ronald van de Krol in Amsterdam

FOUR European futures and options exchanges yesterday signed a co-operation agreement which could lead to wider international distribution of listed derivative financial products.

The Amsterdam-based European Options Exchange, OME Group, which has exchanges in both London and Stockholm, and the Swiss Options and Financial Futures Exchange (Sofex) signed the agreement in London. The members of the alliance, known as First European Exchanges (Fex), hope to offer local access to derivative financial products developed in other countries. For example, the OMX index of Swedish equities could be traded from Amsterdam.

A number of cross-listing agreements between national exchanges are already in place. For example, BOE has co-operation agreements on the cross-listing of products with the American Stock Exchange in New York and with several other European exchanges. Its biggest "exported" product is the Eurotop 100 share index,

which tracks equity prices across the continent.

However, until now such deals have stopped short of full fungibility: although futures or options contracts have, the same specifications on each exchange, trading is separate and prices can differ between exchanges. The Fex alliance hopes to offer fully fungible access to contracts by developing technology links and sharing market information.

The three exchanges together attract an average daily trading volume of around 140,000 contracts, similar to the turnover of the London International Financial Futures Exchange or the Matif, the Paris exchange, which are Europe's biggest derivatives markets. However, there is a trend for business to become concentrated in the larger exchanges. The participants in Fex said yesterday they expected more European exchanges to join the alliance.

The agreement is the first step towards a fully fledged alliance. The individual exchanges will research local demand for each other's financial products and examine the potential for developing common dealing systems.

STET profits climb 3.4%

By Haig Simonian in Milan

NET profits at STET, the holding company for Italy's state-owned telecommunications interests, increased by 3.4 per cent last year to L1,413bn (\$1.14bn).

Group sales rose by 16 per cent to L22,946bn thanks to continuing improvements at most subsidiaries. Among the companies STET controls are SIP, Italy's main telephone utility, and Italcable, which handles most international telephone traffic.

The group is paying an unchanged dividend of L100 for ordinary shares and L120 for savings shares.

STET's good results may have helped to arrest the apparent free fall in its share price following the announcement late last week that IRI, the state holding company which controls the group, was planning to dilute its stake. The secondary sale of stock could raise up to L1,800bn. Shares in STET staged a mixed recovery yesterday, with ordinary stock rising by L28 to L1,937, while savings shares fell by L26 to L1,745.

STET has signed an agreement with Bell Atlantic of the US to set up a joint venture in Italy to develop software for telecommunications for both companies.

Generali improves to L380.6bn

By Haig Simonian

GENERALI, Italy's biggest insurance group, raised net profits by 8.4 per cent to L380.6bn (\$308.4m) last year, despite the continuing difficulties in the domestic insurance industry.

Premium income went up by 15.6 per cent to L7,322bn in 1991. Premiums from Italy rose by 13.4 per cent to L4,483bn, while those generated abroad rose 19.2 per cent to L2,740bn.

Preliminary figures at group level suggested earnings would be "appreciably" over the L467.8bn made in 1990, according to the company. Group premiums rose by 16.4 per cent to reach L18,000bn. Allowing for inter-group re-insurance business, group premiums rose 17.3 per cent to L16,023bn.

Generali disappointed the stock market by announcing it would once again be paying its dividend in a mixture of shares in its Allianz life insurance subsidiary and cash. This year's pay-out comprises a cash element of L190 a share, up from L160 the previous year, and one non-convertible savings share in Allianz for every 75 Generali shares currently held. In 1991, the company gave away one Allianz share for every 250 Generali shares already held.

Generali claimed the dividend marked a substantial improvement on the previous year's pay-out. Based on the value of Allianz stock on Generali's balance sheet, the dividend is worth L201 a share, against L177 the previous year, it said. Calculated using market prices, and adjusted for last year's big rights issue by Generali, the company claimed the dividend marked an improvement of almost 26 per cent.

Generali confirmed the continuing expansion in the Italian life insurance market, while growth on the non-life side had been more contained. Moreover, claims continued to rise alarmingly, although costs had been kept down, it said.

Hopewell in new fund-raising exercise

HOPWELL Holdings plans to raise around HK\$1.95bn (US\$253m) by placing 400m new shares at HK\$5 each - its second major fund-raising exercise in a year. The new shares represent about 9.3 per cent of Hopewell's enlarged share capital. AP-DJ reports. The money will be used to finance construction in Guangdong province.

ITT to repurchase shares

By Nikki Tait in New York

ITT, the US conglomerate, said yesterday it had authorised a new share buyback programme, covering up to 25m shares.

The company started the previous repurchase programme in 1987, and has bought in 20.3m ordinary shares and 1.2m preferred shares to date.

Mr Rand Araskog, ITT's chairman, told the annual meeting that shareholders would "see a good deal of action intended to accomplish our goal of a better share price". According to agency reports, he said the restructuring moves should simplify the company and improve its focus.

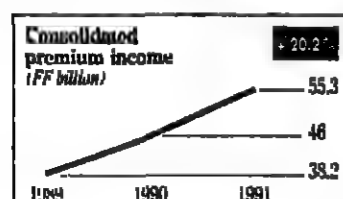
Shares in ITT rallied earlier this year after it announced it was selling its remaining 80 per cent stake in Alcatel, the French telecommunications group, to partner Alcatel Alsthom, and following publication of an interview with Mr Araskog in the Financial Times.

This quoted Mr Araskog as saying the company wanted to make itself more exciting to investors. ITT later denied that spinning off its Hartford insurance company as a separate unit was a likely option.

AGF Group 1991

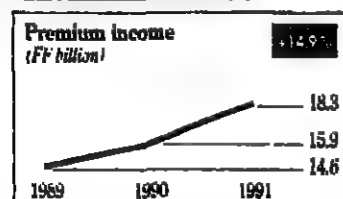
PREMIUM INCOME: + 20 %
NET EARNINGS AND DIVIDEND MAINTAINED

INSURANCE COMPANIES



1991 consolidated premium income: FF 55.3 billion (excluding Assurance). Increase: + 20.2 %. Increase on a constant structure basis: + 8.7 %. International share of revenues: FF 21 billion (38 % of the total).

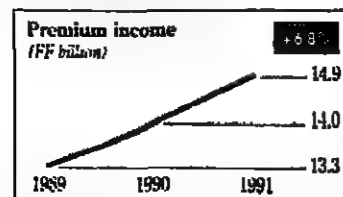
AGF VIE



Life insurance operations 1991 premium income: FF 18.3 billion (+ 14.9 %). This increase reflects the sustained growth of individual life insurance (+ 19.3 %). Contribution to net earnings: FF 1,937 million.

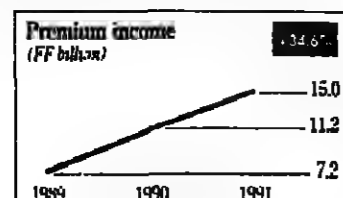
Assurance operations 1991 revenues: FF 1.8 billion, including FF 1.2 billion in SICAV unit trusts, FF 0.4 billion on the Librairie account, FF 0.2 billion in credit distributed.

AGF IART



1991 premium income: FF 14.9 billion (+ 6.8 %). The non life insurance market was characterized by a rise in claims related to business and automobile risks. Portfolio restructuring activities and price increases explain the moderate growth of this business. Contribution to net earnings: FF 154 million.

AGF INTERNATIONAL



1991 premium income: FF 15 billion (+ 34.6 %). The increase is 7.3 % on a constant structure basis. AGF INTERNATIONAL is present in 38 countries and conducts 80 % of its operations in Europe. Contribution to net earnings: + FF 15 million before amortization of goodwill.

Other insurance and reinsurance companies

1991 premium income: FF 7.1 billion. The other insurance companies, principally SFAC, posted FF 1.2 billion in revenues and contributed FF 100 million to net earnings. The reinsurance companies, principally SAFR, which merged with AGF Re in 1991, produced revenues of FF 5.9 billion and made a contribution of FF 37 million to net earnings.

BANKING, FINANCE AND REAL ESTATE SUBSIDIARIES AND AFFILIATES

AGF SA

AGF SA's revenues totalled FF 282 million and realized capital gains came to FF 1,110 million. Contribution to net earnings: FF 875 million.

COMPAGNIE FINANCIERE DU PHENIX

This Group holding company has custody of interests in banking and finance, including 81 % of Banque du Phénix and 43 % of BFCE. 1991 net banking revenues: FF 2 billion. Contribution to net earnings: FF 120 million, due to large provisions constituted for Banque du Phénix.

METROPOLE SA

This Group holding company has custody of industrial interests: Pechiney, Rhône Poulenc, Albatros, SPEP, etc. Its assets, with an approximate estimated value of FF 7 billion, place it amongst the top industrial holding companies in France. Contribution to net earnings: FF 204 million.

Other real estate and financial holdings These consist, in particular, of GFC and the Sophia real estate leasing company. Contribution to net earnings: FF 297 million.

TOTAL NET EARNINGS AND DIVIDEND

FF billion	1990	1991
Consolidated premium income	46.0	55.3
Consolidated net earnings	2.70	2.69
Book shareholders' equity	20.20	23.30
Net revalued equity	44.50	49.50
Total dividend	0.603	0.782
Dividend per share	FF 13.70	FF 13.70



assurances

All of these securities have been sold. This advertisement appears as a matter of record only.

April 1992

3,000,000 Common Shares



ORTHOFIX INTERNATIONAL N.V.

This portion of the underwriting was offered outside the United States by the undersigned.

650,000 Common Shares

ALEX. BROWN & SONS
INCORPORATED

OPPENHEIMER & CO., INC.

ABN AMRO BANK N.V.

CAZENOVE & CO.

ROBERT FLEMING & CO. LIMITED

KLEINWORT BENSON LIMITED

NOMURA INTERNATIONAL

PARIBAS CAPITAL MARKETS GROUP

SWISS BANK CORPORATION

This portion of the underwriting was offered in the United States by the undersigned.

2,350,000 Common Shares

ALEX. BROWN & SONS
INCORPORATED

OPPENHEIMER & CO., INC.

BEAR, STEARNS & CO. INC.

THE FIRST BOSTON CORPORATION

A.G. EDWARDS & SONS, INC.

GOLDMAN, SACHS & CO.

HAMBRECHT & QUIST
INCORPORATED

LEHMAN BROTHERS

MERRILL LYNCH & CO.

MONTGOMERY SECURITIES

PAINEWEBBER INCORPORATED

ROBERTSON, STEPHENS & COMPANY

SMITH BARNEY, HARRIS UPHAM & CO.
INCORPORATED

DEAN WITTER REYNOLDS INC.

WILLIAM BLAIR & COMPANY

COWEN & COMPANY

DAIN BOSWORTH
INCORPORATEDFURMAN SELZ
INCORPORATED

KEMPER SECURITIES GROUP, INC.

PIPER, JAFFRAY & HOPWOOD
INCORPORATED

THE ROBINSON-HUMPHREY COMPANY, INC.

WHEAT FIRST BUTCHER & SINGER
CAPITAL MARKETS

ARNHOLD AND S. BLEICHROEDER, INC.

ROBERT W. BAIRD & CO.
INCORPORATED

THE CHICAGO CORPORATION

INTERSTATE/JOHNSON LANE
CORPORATION

JANNEY MONTGOMERY SCOTT INC.

LEGG MASON WOOD WALKER
INCORPORATEDMCDONALD & COMPANY
SECURITIES, INC.

MORGAN KEEGAN & COMPANY, INC.

NEEDHAM & COMPANY, INC.

THE OHIO COMPANY

ROTHSCHILD INC.

STEPHENS INC.

L. H. AITON & COMPANY

BRANCH, CABELL AND COMPANY

FIRST EQUITY CORPORATION
FLORIDA

GABELLI & COMPANY, INC.

HANFEN, IMHOFF INC.

J.J. B. HILLIARD, W. L. LYONS, INC.

PUNK, ZIEGEL & KNOELL

RONEY & CO.

VAN KASPER & COMPANY

VECTOR SECURITIES INTERNATIONAL, INC.

WESSELS, ARNOLD & HENDERSON

All of these securities having been sold, this announcement appears as a matter of record only.

April, 1992

50,600,000 Shares



First Data Corporation

Common Stock

This portion of the underwriting was offered outside the United States by the undersigned.

10,350,000 Shares

Lehman Brothers International

Bear, Stearns International Limited

Credit Suisse First Boston Limited

Kidder, Peabody International Limited

Lazard Brothers & Co., Limited

Merrill Lynch International Limited

Salomon Brothers International Limited

ABN AMRO Bank N.V. BNP Capital Markets Limited Bankers Trust International Plc Banque Indosuez Barclays de Zoete Wedd Limited County NatWest Securities Limited
 Credit Lyonnais Securities Creditanstalt-Bankverein Daiwa Europe Limited Deutsche Bank Dresdner Bank Robert Fleming & Co. Limited Fox-Pitt, Kelton N.V.
 Generale Bank Goldman Sachs International Limited MEDIOBANCA J.P. Morgan Securities Ltd. Morgan Stanley International Nikko Europe Plc Nomura International
 Paribas Capital Markets Group RBC Dominion Securities International N M Rothschild & Sons Limited J. Henry Schroder Wagg & Co. Limited Société Générale
 Svenska Handelsbanken Swiss Bank Corporation UBS Phillips & Drew Securities Limited S.G. Warburg Securities Wood Gundy Inc. Yamaichi International (Europe) Limited

This portion of the underwriting was offered in the United States by the undersigned.

40,250,000 Shares

Lehman Brothers

Bear, Stearns & Co. Inc.

The First Boston Corporation

Kidder, Peabody & Co.

Lazard Frères & Co.

Merrill Lynch & Co.

Salomon Brothers Inc.

Sanford C. Bernstein & Co., Inc. Dillon, Read & Co. Inc. Donaldson, Lufkin & Jenrette A.G. Edwards & Sons, Inc. Goldman, Sachs & Co. Hambrecht & Quist
 Kemper Securities Group, Inc. Montgomery Securities J.P. Morgan Securities Inc. Morgan Stanley & Co. Oppenheimer & Co., Inc. PaineWebber Incorporated
 Prudential Securities Incorporated Robertson, Stephens & Company Smith Barney, Harris Upham & Co. UBS Securities Inc. Wertheim Schroder & Co. Dean Witter Reynolds Inc.
 Advest, Inc. Arnhold and S. Bleichroeder, Inc. William Blair & Company J. C. Bradford & Co. Cowen & Company Dain Bosworth First Manhattan Co.
 Ladenburg, Thalmann & Co. Inc. Legg Mason Wood Walker McDonald & Company Morgan Keegan & Company, Inc.
 Needham & Company, Inc. Neuberger & Berman Piper, Jaffray & Hopwood Raymond James & Associates, Inc.
 The Robinson-Humphrey Company, Inc. Stephens Inc. Stifel, Nicolaus & Company Tucker Anthony Wheat First Butcher & Singer
 Robert W. Baird & Co. Brean Murray, Foster Securities Inc. The Chicago Corporation Crowell, Weedon & Co. D. A. Davidson & Co. Doft & Co., Inc.
 Doley Securities, Inc. Fahnstock & Co. Inc. First Albany Corporation First Equity Corporation First of Michigan Corporation Gabelli & Company, Inc.
 Gerard Klauer Mattison & Co., Inc. Interstate/Johnson Lane Janney Montgomery Scott Inc. Josephthal Lyon & Ross C.J. Lawrence Inc. WR Lazard, Laidlaw & Mead
 Mabon Securities Corp. Parker/Hunter The Principal/Eppler, Guerin & Turner, Inc. Pryor, McClendon, Counts & Co., Inc. Ragen MacKenzie Rauscher Pierce Refsnes, Inc.
 Muriel Siebert & Co., Inc. Martin Simpson & Company, Inc. SoundView Financial Group, Inc. Sutro & Co. Incorporated Unterberg Harris

Reduction in lending rates prompts selling of gilts

GPA agreement

Ward shares suspended

Jarvis imprisoned half but cur

BOARD

PARIN

COMPANY NEWS: UK

Wound management helps Smith & Nephew rise 9%

By Richard Gourlay

SMITH & NEPHEW, the international healthcare and consumer products group, yesterday reported a 9 per cent increase in first quarter profits after sales continued to grow rapidly in its orthopaedic and wound management divisions.

Pre-tax profits rose from a restated £28.5m to £31.1m on sales ahead 11 per cent at £201.1m. This represented a 0.1p rise in earnings per share to 2p.

The UK consumer business, which held the group back in 1991, continued to be adversely affected by recession.

The healthcare businesses had, however, maintained mar-

gins. The sales increase was equivalent to an underlying growth rate of 8 per cent after adjusting for acquisitions, disposals and exchange differences.

S&N's tax rate rose from 27 per cent to 29 per cent, reflecting the greater proportion of profits derived outside the UK.

The results were in line with market expectations and "confirmed progress in the core healthcare businesses", said Mr Eric Kinder, chairman.

S&N is best known in the UK for its branded consumer goods, such as Nivea and Elastoplast, but this division has been badly mauled by recession.

The group also suffered last

year from a one-off £7m fall in profits connected with its lop-sided intra-annual lens business after the US government slashed the level of reimbursements that it would pay.

Last year, the new management's focus on areas such as hip and knee implants and its wound dressings began to show through in higher margins. The group has also emerged from under the weight of some acquisitions made in the 1980's drive for international coverage, which were less than totally successful.

As a result S&N's share price over the last year has risen by more than 50 per cent to 180 1/2p.

See Lex

WPP still in talks on financial structure

By Maggie Urry

SHARES IN WPP Group, the marketing services combine, fell 5p to 68p yesterday when the company said it was continuing talks about strengthening its capital structure and improving liquidity. Analysts feared either a share issue or sales of assets at prices too low to offset the loss of their earnings.

The group's shares fell during April to a low of 64p by the end of the month as rumours about the company's financial position circulated around the stock market. Last week they bounced to 88p.

WPP, which owns J Walter Thompson and Ogilvy & Mather, had warned in mid-March that discussions were continuing with banks about ways of improving its capital structure. It said then that it might float its market research business and its far Eastern operations, or sell Scall McCabe Sloves, its US advertising agency.

At the end of 1991 WPP's balance sheet had net debt of £334m and negative shareholders' funds of £288m. In April last year the group agreed a \$1bn (\$260m) debt restructuring with its banks, under which \$400m of debt would be repaid in June 1993.

However, WPP's refinancing did not involve issuing shares, unlike that of Sanchi & Sanchi where existing shareholders found their interests heavily diluted.

Correction
Kelt Energy

Kelt Energy is run as an independent oil company and not by a group of banks as stated in the Financial Times on Saturday May 3.

Sanderson Electronics shares surge

SHARES OF Sanderson Electronics yesterday rose 49p to 191p as the group announced a lift of 20 per cent in pre-tax profit for the half year to March 31.

The international computing services group made £1.8m, against £1.5m, achieved on turnover maintained at £10.6m. Earnings per share were 19p (11p).

The second interim dividend is 3.5p to make 9p (7.7p) for the year.

Mr Paul Thompson, chairman, said revenues from maintenance, software licence fees and support contracts were currently providing turnover of some £20m annually.

During the period the company acquired the outstanding 45 per cent of General Automation Limited from General Automation Inc and 51 per cent of Astralogic, which supplies systems for the travel industry, for a total of £1m.

Sanderson operates in the UK through seven trading subsidiaries and overseas via its 49 per cent holding in General Automation Inc, which is quoted on the American stock exchange.

It specialises in open systems software based on the Unix and Pick operating systems, but is broadly based with interests in maintenance and support services.

Lasmo sells peripheral interests

Lasmo, the independent oil and gas explorer, has sold its US upstream interests and Ultramar's Australian exploration

An institution central to Hong Kong's existence

Simon Holberton on the colony's reaction to HSBC's bid for Midland Bank

HONGKONG and Shanghai Bank bestrides the colony in a way few institutions of its type or size could hope to in other parts of the world. It is simply the single most important financial institution in Hong Kong.

But Hongkong Bank's bid for Midland has divided the colony of which the bank is uncrowned king. Many of its investors do not like the offer and shudder at the thought of a higher bid; possible confrontation with China also looms if the bank is forced to offer more than the one share plus a £1 bond for each Midland share it has already offered.

Hong Kong without Hongkong Bank is unthinkable; the Hongkong Bank without Hong Kong is even more so. Last year, the bank earned 86 per cent, or \$761m, of its pre-tax profits in Hong Kong; the colony accounts for 45 per cent of its assets.

The bank's chairman, Mr William Purves, sits on the governor's executive council, the highest policy-making body in the colony. Moreover, Mr Purves is chairman of the Jockey Club - the focal point for the local Chinese passion for gambling and the expatriate desire for social position.

Hongkong Bank is also the centre of the banking system in Hong Kong. As an agent of government it issues banknotes and it also operates the clearing system. It is the government's chief banker and its position within the Hong Kong Bankers' Association - the group that sets interest rates and qualifies new entrant banks - is pre-eminent.

But the bank is the ultimate power broker where it counts most: the ownership of assets in Hong Kong.

It delivered Hutchison Whampoa, Hong Kong's first registered company (1866) and oldest "hong", to Mr Li Ka Shing in 1979; it bailed out the colony's shipping magnates during the world shipping crisis of the mid-1980s; and it is the institution which has done



William Purves: keeping China abreast of developments

most to support local businesses such as Mr Gordon Wu, the principle shareholder of Hopewell Holdings, the large developer and builder.

Hongkong Bank is a quintessential management institution. Mr Purves is all-powerful: he dominates the bank's board and senior management. His temper is legendary and few risk challenging him, but he displays an unusual common touch which inspires respect.

Last Tuesday, the day Lloyds said it would bid for Midland, and in between meetings that went well into the night, he spent 20 minutes with an executive who was being posted to the Middle East.

In Mr Purves, 61, the bank has a man of extraordinary energy and purpose. He and his deputy Mr John Grey are highly rated in Hong Kong for their business acumen. But critics do question whether the bank has the depth in management to pull off the Midland merger. The bank prides itself on running a "lean" operation; its critics say management is thinly spread.

The bank is used to being powerful and it is unaccustomed to having its views questioned. Locally, its conduct during the bid for Midland has been criticised for being lacklustre and complacent. The appointment of former Tory minister, Mr Francis Maude, and a public relations guru, Mr Steven Sherbourne, was welcomed by its supporters in the colony but seen as coming a little late in the day.

Given the bank's position in Hong Kong it is not surprising that although many investors in the colony are deeply disappointed with its bid for Midland, none will speak out against it. Unlike London, where investor dissatisfaction with the bid has been aired publicly, no investor who says privately that he will vote his stock against the bid is willing to declare himself publicly.

As one long-time head of a large securities and fund management house noted: "No-one in this town wants to make a permanent enemy of the Hongkong Bank. Hong Kong is a financial village and sooner or

later you are going to bump up against the bank."

An FT straw poll of leading fund managers found that about two thirds thought the bank was making a mistake by buying Midland. These investors criticised it for embracing the "flawed" idea of global banking when the 1980s showed that that strategy failed; and they also criticised it for diluting high growth north Asia earnings with low growth European earnings.

The remaining investors were positive. They see the deal as a once-in-a-lifetime opportunity to make a cheap entry into European banking. Midland is at the bottom of its earnings cycle and due for a big recovery. They believe the bank is also acting in the prudent interests of its shareholders by diluting the "China" risk inherent in its current business, thereby safeguarding shareholders' future interests.

But the bank's restrictions on investors being able to own only 1 per cent of its equity - something which will change if its bid for Midland succeeds - means that many investors feel impotent in the face of what its management wants to do. Therefore many investors have simply voted with their feet.

The bank's share price fell sharply when it announced its bid for Midland and has remained below its pre-bid high of HK\$45.50. On the announcement of its bid terms Hongkong Bank's share price fell to below HK\$38. Subsequently it has risen to about HK\$42, but mainly, investors say, because the entry of Lloyds into the bidding from Midland has raised shareholders' hopes that Hongkong Bank might fail.

By contrast, Hang Seng Bank, its listed subsidiary, has risen sharply since its true financial position was revealed at the same time Hongkong Bank announced the details of its Midland offer. Hang Seng's share price has doubled since the beginning of March - to about HK\$44 - as investors



THE BATTLE FOR MIDLAND

have switched to it from Hongkong Bank.

All investors were, however, concerned about the possibility that Hongkong Bank might engage in a bidding war with Lloyds. They forecast widespread dissatisfaction with such a move. China could also be a problem, they said.

"If the bank raises its bid for Midland, China will not like it," says one institutional investor. "It may speak out against it and it might even encourage people to vote against it."

The importance of China to Hongkong Bank is underlined by the bank's reticence in talking about its dealings with Beijing. It takes pains to keep China abreast of what it is doing. It even tipped off Beijing to the possibility of a bid for Midland before Mr Purves made his presentation to the Midland board on March 13.

Mr Purves usually travels to Beijing three or four times a year, each time touching base with the People's Bank, China's central bank, and senior officials of the Hong Kong and Macao Affairs Office of the State Council - the arm of the Chinese government most centrally involved with the transition of the colony to China's rule.

To date China has been neutral-to-positive on the bid for Midland. But it has urged the bank not to pay more for the British clearer and to safeguard the interests of its Hong Kong shareholders and customers.

Banks force Betacom to plan rights for up to £3m

By Peggy Hollinger

BETACOM, the loss-making telephone and answering machine supplier, is planning a £2m-£3m rights issue following pressure from its bankers who are refusing to provide further capital without a strengthening of the equity base.

The company, which also announced reduced pre-tax losses of £515,000 (£244m) after exceptional losses for the 1991 year, is likely to launch the cash call before the end of June.

Mr Roger Rowland, who took over as non-executive chairman last year following the resignation of founder Mr Dennis Bayliss, said the rights issue was crucial to the company's long-term survival.

The share of associates moved from a £97,000 deficit to a profit of £144,000.

The UK division continued to suffer from what Mr Rowland called "high street deal-making". "We had no option but to knock prices down," he said. However, losses had been reduced and margins protected through cost-cutting, he said.

Turnover in the UK dropped by £5.4m to £11.3m. Including overseas operations sales increased from £18.3m to £19.3m.

Interest charges were marginally lower at £480,000 (£489,000), while debt was about £3m just after the year-end. Mr Rowland said.

Losses per share were reduced from 7.06p to 1.16p.

Brierley Invs sells BSG stake

By Jane Fuller

BRIERLEY Investments, the New Zealand investment company, has raised about \$27m by selling its 29.5 per cent stake in BSG International, the motor components, distribution and consumer products group.

Some 60m shares were placed with institutions at

50p apiece.

Brierley made a book profit on selling the stake thanks to writing down its value last year. It probably made an actual loss after holdings costs. The group said it sold the shares because it did not have much to add to BSG and the price had reached a reasonable level.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
British Fittings	4	July 8	5.975	5.975	7.56
German Smaller	1.1	July 8	1	1.1	1
Jervis	0.325	July 10	1.175	0.875	2
Sanderson Elct	3.5	July 8	3.3	9	8.7

Dividends shown where per share net except where otherwise stated. 70c increased capital.

It was looking for new opportunities in the UK and the realisation of \$27m cash would help that process.

The switch to an investment phase followed the sale of a series of stakes in UK companies, including Vickers and Wm Low, early last year. This was to raise cash after the acquisition of Mount Charlotte Investments, the UK hotel group, for \$644m.

Brierley said the gearing reduction phase was concluded with last May's sale of a 30 per cent holding in Mount Charlotte to the Singapore government.

BSG welcomed the divestment. "We never knew IEP's ultimate objective" and it might have been predatory, it said.

NEWS DIGEST

Sanderson Electronics shares surge

SHARES OF Sanderson Electronics yesterday rose 49p to 191p as the group announced a lift of 20 per cent in pre-tax profit for the half year to March 31.

The international computing services group made £1.8m, against £1.5m, achieved on turnover maintained at £10.6m. Earnings per share were 19p (11p).

The second interim dividend is 3.5p to make 9p (7.7p) for the year.

Mr Paul Thompson, chairman, said revenues from maintenance, software licence fees and support contracts were currently providing turnover of some £20m annually.

During the period the company acquired the outstanding 45 per cent of General Automation Limited from General Automation Inc and 51 per cent of Astralogic, which supplies systems for the travel industry, for a total of £1m.

Sanderson operates in the UK through seven trading subsidiaries and overseas via its 49 per cent holding in General Automation Inc, which is quoted on the American stock exchange.

It specialises in open systems software based on the Unix and Pick operating systems, but is broadly based with interests in maintenance and support services.

Lasmo sells peripheral interests

Lasmo, the independent oil and gas explorer, has sold its US upstream interests and Ultramar's Australian exploration

blocks for about \$78m (\$44m) as part of a rationalisation plan.

The company acquired Ultramar in a £1.4bn takeover last year and said then that it would streamline the operations by selling its peripheral interests.

Most of the US business has been sold to Torch Energy and other purchasers for \$72m.

The sale excluded its interest in the Bright Star Gas Gathering system in east Texas and the Willow Bayou gas discovery in Louisiana, on which two new wells will be drilled later this year.

Ultramar's Australian interests, including the Katnook gas field, were sold to Sagasco Resources for A\$8m (£3.4m).

Lasmo said it continues to explore for oil in Western Australia and in particular on the north west shelf.

Unitech disposes of payphone maker

Unitech, the electronic components group, has sold Rathdown Industries, the payphone manufacturer, for £10.8m.

The buyer is GN Investments, a subsidiary of Great Nordic, the Danish telecommunications company.

Mr Peter Curry, chairman of Unitech, said Rathdown did not fit into Unitech's strategy of focusing on three areas: power supplies, connectors and control products.

He said the cash from the disposal would be used to strengthen the balance sheet, bringing gearing to below 50 per cent.

It would also free resources to put into the other three areas, possibly through acquisitions.

Rathdown made pre-tax profits of £943,000 in the year to

end-May 1991 and had net assets of £2.5m.

Unitech acquired the company in 1973.

BDA ends year £18,000 in black

With all companies making a positive contribution, BDA Holdings, the property group, stayed in the black through the year to January 31 1992.

After £7,000 in the opening six months, it finished with £18,000, compared to the loss of £2.17m previously. Earnings were 0.1p (losses 1.6p).

AAH acquires five outlets for Vantage

AAH Holdings, the healthcare and distribution group, is continuing its expansion with the acquisition of five pharmacies. It is buying: IL & JI Robson, which comprises two pharmacies in Carlisle; two pharmacies in Sittingbourne and Milton Regis, Kent; from Paydens; and Fairmans The Chemists in Sunderland from Mr R Platts.

The businesses will trade as Vantage Pharmacies within AAH's healthcare division.

The initial aggregate consideration is £2.45m, satisfied by £146,750 cash and the issue of 466,124 ordinary shares. Of these, 233,917 have been placed with institutional clients. Further consideration payable when stock values are confirmed will be in cash. Net assets acquired total not less than £575,000.

Upton & Southern losses doubled

Upton & Southern Holdings, the Cleveland-based department store and property group, saw its loss double to £2.86m in the year to January 25.

although turnover rose to £13.6m.

The retailing business showed a satisfactory increase in sales from department stores, but margins were depressed and overall profitability showed a small decline.

To reduce bank borrowings the group sold property developments at Newbury and Richmond and its investment unit in Congleton. The loss on disposals and trading deficit led to the group having a negative net worth of some £500,000, as indicated last November.

Losses per share came to 31.69p. Previously they were 15.76p, when the pre-tax deficit was £1.43m from turnover of £11.7m.

The auditors have qualified the accounts in respect of work-in-progress of £979,000 (£3.83m). They are unable to determine whether the provisions made are sufficient to reduce the book value of work to net realisable value.

SB to co-develop arthritis treatment

SmithKline Beecham, the Anglo-American pharmaceuticals and consumer products group, has signed an agreement to co-develop and market arthritis and cancer treatments with British Bio-technology, an unlisted biotechnology group.

Under the agreement, SB will develop anti-arthritis therapies from the joint-research and enjoy exclusive marketing rights in the US and Japan. Co-development rights in Europe. British Bio-technology will develop cancer therapies arising from the joint-research.

Dr George Poste, SB's chairman of research and development, has argued in the past that such collaborative basic research would become more important given its increasing cost. The two groups have

already collaborated on an earlier anti-cancer product which is about to enter clinical trials.

British Bio-technology, based in Oxford, is hoping to be floated later this year.

Wyko disposes of division for £2.25m

Wyko Group is selling the business and certain assets and liabilities of its Wyko Power Plant Gears division to David Brown Engineering for about £2.25m cash.

The proceeds will strengthen the balance sheet and enable the group to improve further its position in the power transmission market. Wyko will concentrate resources on UK and overseas distribution which accounts for some 70 per cent of turnover.

In the year ended April 30 1991, the division reported a profit before interest and tax of £235,000 on turnover of £5.43m.

German Smaller net asset value at 226.9p

Net assets per share at German Smaller Companies Investment Trust fell slightly from 228.9p to 226.9p over the year to end-March.

At September 30 the figure was 233.5p. The diluted figure at the period end was 206.9p, against 208.5p and 212.4p, 12 and six months earlier.

Net revenue was £212,500 (£186,000) for earnings per share of 1.18p (1.04p). A single final dividend of 1.1p (1p) is proposed.

Parmigan shares resume trading

Shares in Parmigan Holdings, the hotels and food distribution group, began trading again yesterday as the com-

pany announced its results for the year to June 30 1991, and for the first half of the current year.

The shares were suspended on January 31 this year as negotiations on a substantial acquisition reached an advanced stage.

It proved impossible to complete these negotiations and talks have ceased. The group is now in talks with other parties.

Parmigan reported a pre-tax loss of £719,567 in the 1991 year, against £11,636 previously. Turnover fell slightly from £4.94m to £4.52m.

But in the six months ended December 31 1991, the loss had been reduced to £104,000 on sales of £2.14m.

Mr Philip Wilbraham, chairman, said the year had again proved difficult for the group, particularly in the hotel sector.

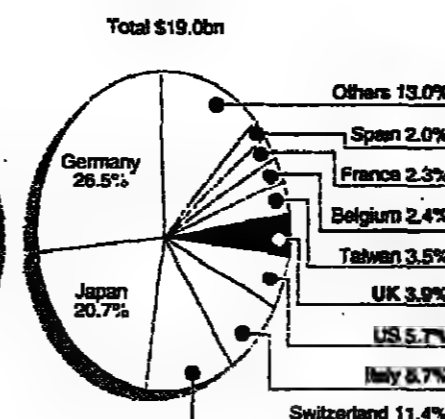
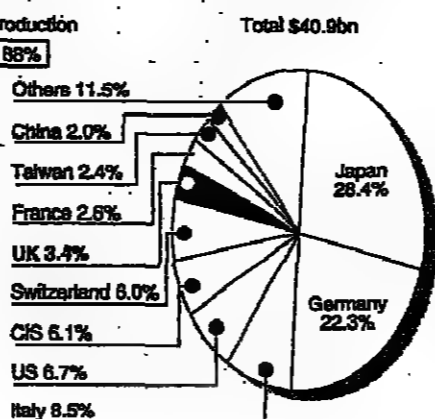
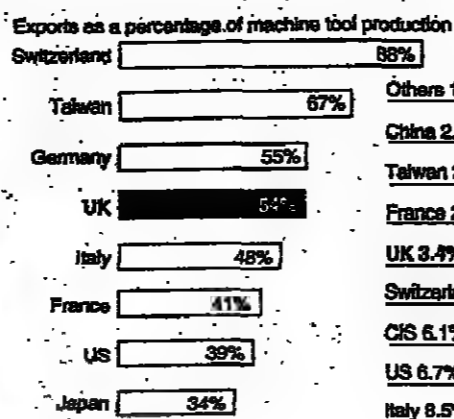
The company incurred considerable cost as talks related to withdrawal from the hotels sector failed. This had an unsettling effect on the staff, the chairman said, but changes had since taken place to renovate them.

The loss-making fish hatchery business had been closed during the year but the remaining businesses had been profitable, Mr Wilbraham added.

Finlan shares suspended

Shares in Finlan Group, the property and building materials company, were suspended at 3p yesterday at the company's request "pending the announcement of a major acquisition."

The company, which has suffered heavy losses as a result of the recession in the construction industry, has been substantially refinanced and reorganised since 1989.



Hard-pressed suppliers seek signs of upturn

This is why manufacturers are attaching considerable importance to two leading machine tool exhibitions this month, Mach '32 from today

Even the Japanese manufacturers, which over the past 20 years have developed the strongest position in the market through a combination of

the vine in a situation that was not of their own making," says Mr Ron Bull, president of the UK Machine Tool Technologies Association.

have had to cope with re-unification at home, which has not brought the bonanza seen in other sectors of mechanical engineering, such as construc-

inevitably fuelled by weak business conditions. And there is little evidence to suggest the big Japanese producers will emerge from the recession with

South Korea, lifted their share from 29 per cent to 35 per cent. The question for the machine tool industry in the 1990s is whether further

machine tool companies need to be increased, and there is talk in Germany of bank-led initiatives to bring the biggest producers together. In the UK

continent, however, and in the UK a slight increase in order inquiries has yet to be matched by orders. Maybe March '92 will be the turning point.

FINDING BETTER WAYS

The UK is still the world's seventh biggest producer

Strong emphasis on new product development

AFTER two years of hard times and a steadily increasing sense of exasperation in the British machine tool industry, producers will view today's opening of the Mach '92 Show as a chance to put the past behind them and look to the future.

The outlook, however, is tinged more by hope than expectation. After production sunk last year by 22 per cent to about £700m, 1992 has been a year of uncertainty - about the economy, then the Budget, and more recently the General Election.

As a tonic for an industry that badly needs to remind people that it still exists - last year's output may have been the lowest in real terms since 1984, but the UK is still the world's seventh biggest producer - Mach '92 could not have been better timed.

It comes within weeks of the appointment of Mr Michael Heseltine as Trade and Industry Secretary, a move viewed with considerable anticipation by an industry whose quiet campaign for short-term stimuli to manufacturing investment fell on deaf ears when the unimpaired Mr Peter Lilley ran the DoI.

With the political uncertainty resolved, machine tool builders now sense faint stirrings in the economy, and among manufacturing customers in the UK and overseas.

Mr Stan Vaughan, managing director of Hahn & Kolb (GB), the German owned manufacturer and importer, says inquiries from potential customers have been rising since December.

Mr Vaughan, chairman of the Mach '92 Exhibition Committee, expects almost as many exhibitors - about 500 - as at Mach '89, a time of buoyant conditions virtually worldwide. Some of the stands this time are smaller and less lavish, he says, but exhibitors will share a common aim: to turn the current flickers of customer interest into real orders.

Their strategy will be simple: to emphasise through machines launched at the exhibition that new product development has not taken a back seat in the fight for survival and that the UK can still make some claims to global technology leadership, albeit in niches such as laser-cutting machines and probes.

For the longer this recession has continued, the more it has become a battle for survival for many UK machine tool builders, scattered across 120 manufacturing sites.

"A lot of manufacturers are at a very critical stage," says Mr Ron Bull, president of the Machine Tool Technologies Association.

He warns that some UK producers could collapse if business conditions do not improve by the end of the year.

Given the many disasters in British machine tool history, it is, perhaps, surprising that the latest recession has not produced any big corporate casualties. This partly reflects a dogged determination to survive against all the odds, coupled with the industry's ability to learn from previous recessions and to act firmly to survive.

At Leicester-based Bridgeport Machines, the big US owned producer, there has been no pay award for two years, labour has been halved and costs reduced.

Mr Malcolm Taylor, managing director, contrasts the company's approach with the slower response of German competitors, more recently hit by a market downturn.

Exports have also provided a cushion against recession. Last year, exports of UK machine tools fell 16 per cent to £411m, but would have fallen a lot further if European Community markets had suffered as deep or prolonged recession as that in the UK.

The jobs picture is less happy, with total employment falling to 18,300 in September from 20,800 a year earlier. In the past six months it has sunk further, to about 17,000, due to closures such as 800 Group's Colchester lathe plant, Bridgeport's Bridlington plant, and Matrix-Churchill's Fleetwood plant.

And there is almost certainly more to come. B.Elliott, one of the UK's last three publicly quoted machine tool builders, is undergoing a restructuring which could lead to the divestment, rationalisation or closure of its machine tool division, which includes Butler Newall and Addison.

On the bright side, the job cuts that have been announced this year involve a prudent concentration of manufacturing rather than a wild swipe at research and development budgets.

The evidence suggests that UK machine tool companies have realised this is one option they cannot consider if they wish to remain competitive long-term.

For example, FMT Holdings, the Brighton-based machine tool group, is launching new products for Mach '92 at all

three group companies, including a new cutting head for Noble & Lund's aerospace profiling machines.

This comes despite heavy job cuts overall and the decision last month to turn Noble & Lund's Gateshead plant into an assembly operation, shedding 80 manufacturing jobs.

On the other hand, a reduction of employment of 3,000-4,000 over the course of a recession, on such a small base, raises the inevitable question about whether the industry is losing its "critical mass."

The loss of expensively-trained skilled workers could affect the ability of UK producers to exploit fully the upturn, says Mr Bull.

With many companies now relying on the good will of their banks to continue in business, the recession has clearly

exposed the financial weakness of a highly-fragmented industrial sector.

To avoid bankruptcy next time demand declines for British machine tools, producers should now be looking to step up the hitherto pedestrian pace of mergers, joint ventures and bilateral co-operation, especially in Europe.

The recent marketing agreement between Bridgeport and Mabo, the big German milling machine company, was beneficial for both companies, but more full-blown mergers among UK machine tool companies might be a step towards greater financial strength while avoiding the cultural problems of cross-border take-overs.

Mr Bull is right, however, to stress that this is a problem for the industry to sort out itself. Precedents suggest that absorption by conglomerates or government-imposed rescue plans do not work in an industry without entrepreneurial, owner-manager tradition.

The development of larger companies might also help the UK machine tool industry take advantage of the new approach at the Department of Trade and Industry, simply by generating some clout.

The industry has maintained a united approach in its lobbying of government, but insiders describe meetings with the DTI as "like talking to a brick wall."

Over time, relations between the government and the industry could be very different. Machine tool builders are naturally hopeful that Mr Heseltine will have the influence to move the Treasury on subjects such as capital allowances to spur investment by manufacturing industry.

But Mr Taylor points out that "even if Mr Heseltine does no more than say a lot of the right things, it will increase the confidence of the manufacturing sector."

If the machine tool industry can sort out its internal structural problems and gain the ear of government to ensure a "level playing field" on manufacturing investment compared with other countries, notably Japan, British machine tool makers can flourish in the rest of the 1990s.

It is a big "if", of course, but Mr Bull says the reason reason why companies have worked so hard to survive is precisely that they think they do have a future.

Andrew Baxter



Sir John Barham, retiring director general of the CBI, talking with Malcolm Taylor, managing director at Bridgeport Machines' Technical Centre in Leicester.

Year	Sales of m/tools	Exports	Imports	Implied consumption
1980	593	292	268	569
1981	434	261	213	368
1982	477	273	224	438
1983	414	270	184	396
1984	467	226	256	437
1985	606	255	304	544
1986	614	269	381	726
1987	645	308	223	662
1988	643	366	411	658
1989	905	398	519	1,025
1990	941	488	523	975
1991	730*	411	481	770*

*Estimates, values at current prices. Sources: DTI Customs and Excise

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Andrew Baxter

Cincinnati Milacron in the UK plans economies of scale

The focus is on world markets

THE OUTSIDE looks like an art deco palace. The inside is less decorative, more practical, subject to change as new production comes in and old production fades away. This is Cincinnati Milacron on the north-east side of Birmingham, the first overseas plant the US group set up in 1951.

With a turnover of about £30m a year, it contributes some seven per cent of group turnover. Although the parent returned to profit in the 1991 final quarter, it recorded an annual net loss of \$100.2m.

The British part of the operation had its problems too. Its largest market is, in fact, the US and 90 per cent of its production is exported, so it cannot remain immune to international economic sluggishness.

Mr John Blohm, managing director in the UK, is encouraged by what he called "decent signs" in the US market. "We're expecting recovery later this year. We are on budget."

What is certain is that the Birmingham company cannot, and has not, relied on the UK market: the level of manufacturing investment is too low, especially compared with competitors like Germany and Japan.

Since the recession started, Cincinnati Milacron has reduced its Birmingham workforce from 400 to 400. This is partly the result of lower orders, but it is also a result of the rationalisation of production.

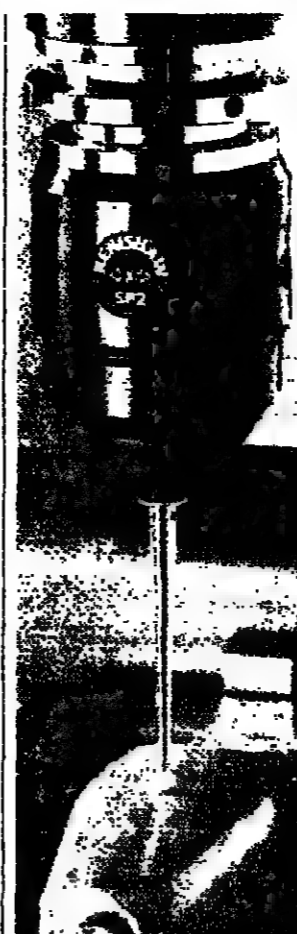
In this last respect, the UK plant is deeply involved in a re-alignment of how the group as a whole conducts its machine tool business - "we are trying to design world products and maximise economies of scale," says Mr Blohm.

This has taken Cincinnati Milacron into the marvellous world of "focus factories" and "wolfpacks" - the jargon for factories which are dedicated to a single product or series of products, designed, engineered, produced and financed by a multi-disciplinary team of executives. The background to

Suppliers could be involved - the metal fabricators, for example, especially when they have facilities Cincinnati Milacron itself does not have.

Across the group there are 20 projects under way. To avoid duplication of effort and resources, the individual factories are providing, to a co-ordinator in the US, quarterly reviews of progress, including data on costs and margins. For its part, Birmingham is concentrating on the Sabre line of products - by the middle of this year the effect of Cincinnati Milacron's strategy will be that, in Birmingham, all products being made in 1988 will have been phased out and replaced by a concentration on Sabre - the brand name for a series of vertical and horizontal machining centres.

Paul Cheeseright



UK export success

The high-accuracy probe, pictured above, can achieve measurements within two-hundredths of the width of a human hair. The TP7 probe provides a large measuring machine with a sense of touch by sending signals to a computer.

The probe, developed by Renishaw Metrology of Wotton-under-Edge, Gloucestershire, has attracted significant export orders. It has applications in many aspects of engineering and quality control - ranging from the measurement of engine blocks for Concorde aircraft and Jaguar cars to the inspection of moulds for ice-cream lolly-makers.

The original concept was developed in 1973 by David McMurtry, Renishaw's group chairman. Since then, the group has won seven Queen's Awards, mainly for probe-related products - five for export achievement and two for technology.

Andrew Baxter

Manufacturer's profile: Jones & Shipman

Now the grinding wheel comes full circle

BUSINESS conditions have been as tough for Jones & Shipman as any other UK machine tool maker, but the Leicester-based grinding machine manufacturer can hardly be accused of twiddling its thumbs during the recession.

The 40-strong engineering department has been working harder than ever before over the past 12 months, says Dr John Liverton, director of engineering.

Since September, a small group of engineers have been working on a project of considerable strategic significance for J&S, one of the UK's three remaining publicly-quoted machine tool builders.

Through an acquisition last year from Brown & Sharpe, the venerable US machine tool builder which invented the

grinding machine, Jones & Shipman has become the first British machine tool builder to make CNC creep-feed grinders, one of the most promising product areas in the industry.

In a sense, therefore, J&S has now brought the grinding wheel full circle for creep-feed, on which much of the pioneering work was done at the University of Bristol in the 1970s, before commercial exploitation moved to the US and Europe.

As the name suggests, creep-feed grinding involves passing the workpiece under the grinding wheel at a slow pace, allowing greater metal removal in one pass, and thus increasing the customer's productivity.

Until now, creep-feed has been used mainly in the aerospace sector for producing turbine blades and other parts.

However, many users are now contemplating replacing their original machines to take advantage of recent developments in CNC systems.

At the same time, new markets are opening up for grinding materials such as ceramics and composites, while creep-feed technology can also be applied to the manufacture of such humdrum articles as scissor-blades, currently produced on milling and other machines.

J&S is keen to exploit these opportunities, as part of a strategy to expand its presence in the production grinding market, where the machines are bigger, and the prospects more promising, than in the toolroom grinding business.

The need for speed of action coincided neatly with Brown & Sharpe's decision last year to withdraw from machine tool

manufacture, says Mr Eddie Gee, J&S sales director.

The result, among other things, was the purchase of the full intellectual property rights to the US company's Hi-Tech creep feed grinding product line, and its Techmaster surface grinder range.

For J&S, the Hi-Tech range was a solid springboard for moving into creep-feed. The machine, based on an epoxy granite bed to absorb the vibrations from the high-powered grinding process, was mechanically advanced, but the control systems needed to be re-engineered if J&S was to take full advantage of business prospects.

This has involved a combination of in-house and external computer expertise.

The latest GE Fanuc 16 Series CNC system with an

efficient use of spare capacity caused by the recession.

Outside the US, the machine is being relaunched as the Techmat 400.

The Techmaster is also to be re-engineered, as a smaller creep-feed grinder, and will be launched later this year as the Techmat 200.

Technically, says Dr Liverton, the new Techmat 400 is equal or superior to its European rivals, but the control system is superior - the machine is the first creep-feed grinder in Europe to have the new GE Fanuc control.

Jones & Shipman now faces the challenge of developing its presence in creep-feed grinding against entrenched European rivals such as Magerle of Switzerland and Germany's Hauni-

Blohm. The British company is already talking to Rolls-Royce, a big user of creep-feed technology, and wants two or three good installations in the home market before tackling Europe.

Today, at the Mach '92 Show, will see the start of a drive to persuade customers from outside aerospace to switch to creep-feed. Much will depend on business conditions - the Techmat 400 is a big investment for many companies at around £220,000.

"People have their installed capacity and you have to get over this obstacle," says Mr Gee.

J&S is now hoping that a recent upturn in its small tools business will, as has happened in the past, herald better conditions in machine tools.

Late last month, Jones & Shipman announced machine tool orders worth more than £1.4m, evidence that a quickening pace in order inquiries is beginning to be converted into orders.

Whatever happens, says Dr Liverton, "I think we will get a lot of interested German and Swiss on the stand at Mach '92."

Andrew Baxter



US technology re-engineered in Leicester: the Jones & Shipman Techmat 400 creep-feed grinding machine, unveiled today.

LCD flat screen display has replaced an older Allen-Bradley system, while Jones and Shipman has also installed its own PC-based software for solving problems such as the "right-path" of the grinding wheel when cutting difficult contours.

Manufacturing has been brought back to Leicester from Rhode Island, making more

efficient use of spare capacity caused by the recession.

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VEHICLE MANUFACTURING TECHNOLOGY

The Financial Times is planning to publish a survey on the above subject.

PUBLICATION DATE : 5th June 1992

ADVERTISEMENT COPY : 22nd May 1992

The world's single largest manufacturing industry is faced with the great challenge of how to produce more efficiently the 35 million new cars, and more than 3 million commercial vehicles, which take to the roads each year.

The following is a list of the proposed topics that will be covered:

Lean production
New materials
Bonding
Plastics
Simultaneous
The machine tool industry
Final assembly
Conveyor systems and other materials handling
Test rigs and crash simulation

Case studies
The robotics industry
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Footsie falters on brink of record

By Steve Thompson

CONFIRMATION of the widely expected last-point cut in UK interest rates saw the FTSE 100 share index burst through its previous all-time closing high but fall by less than one point to penetrate its record intraday high.

After failing to push through the peak, the market quickly ran out of steam and saw an early strong rise turn into a minor loss, before closing moderately higher.

Dealers kicked off the short-term trading week by pushing share prices up sharply, anticipating another flurry of institutional buying interest after the rate cut.

Further impetus to the London market came from Wall

Street which raced up to record levels during London's bank holiday period.

The Footsie topped its previous closing high of 2,679.6 reached on September 2 last year - opening some 30 points higher at 2,679.8 and quickly moving up to 2,683.0, or 23.2 higher, within minutes of the start.

But market was unable to build on this, as profit-taking from institutions anxious to lock in big profits achieved on the general election result, saw equities retreat for most of the remaining session.

Specialists said the market's reversal stemmed from a general feeling of anti-climax and worries that the market may well need to consolidate before launching another attempt at

Account Dealing Dates		
First Dealing	May 11	Jan 1
Second Dealing	May 11	Jan 1
Third Dealing	May 11	Jan 1
Fourth Dealing	May 11	Jan 1
Annual Date	May 11	Jan 1
Annual Date	May 11	Jan 1

piercing its all-time high. There were also widespread concerns about the German economy and the possibility that Wall Street may have run too far too quickly. The US stock market opened easier yesterday and continued to drift off as London closed.

Dealers also spoke of at least two programme trades in London, both weighted on the sell side, and lingering worries

about the possibility of sizeable rights issues.

Selling pressure in London reached its peak just before Wall Street opened. At that time the Footsie fell into negative territory, reaching the day's low of 2,658.4, or down 1.4 thereafter it managed to claw its way back to end a busy session a net 2.4 higher at 2,662.2.

The trading session was spiced by another big placing. Smith New Court, the London market's biggest deal specialist, acting in conjunction with Panmure Gordon, acquired and easily placed Sir Ron Brierley's 29.7 per cent stake in BSG International. The placing of the BSG stake, comprising some 60m shares, accounted for 120m of the market's turn-

over which reached 638.1m shares.

Pharmaceuticals were in the spotlight, with Glaxo delivering another sparkling performance as the UK authorities granted approval for the group's Zofran anti-nausea drug. SmithKline Beecham moved higher in sympathy with Glaxo, but Pisons were aggressively sold late in the session following news that the group had failed so far to win US approval for its Opticrom drug.

Most senior dealers said the market had already factored in the half-point rate cut and was seeking further stimulation. "We've had the good news for the time being; short of some big activity we're due a period of consolidation," said one.

FINANCIAL TIMES STOCK INDICES											
	May 5	May 4	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22
Government Secs	85.57	85.61	85.49	85.61	85.51	84.86	85.82	85.11	85.17	85.18	85.19
Fixed Interest	103.45	102.98	102.78	102.94	102.80	94.25	103.45	103.45	103.45	103.45	103.45
Ordinary Shares	2683.2	2681.7	2733.3	2765.5	2681.2	1989.7	2683.3	1651.4	2108.3	40.4	40.4
Gold Miners	110.9	108.0	107.9	108.5	107.3	141.2	108.8	108.8	108.8	108.8	108.8
FT-SE 100 Share	2682.2	2680.8	2684.1	2684.9	2681.0	2540.5	2684.9	2382.7	2579.6	086.6	086.6
FT-SE 250 Share	1224.04	1223.64	1222.07	1224.53	1217.07	1171.10	1224.53	1120.52	1204.53	038.62	038.62
FT-SE 100 Index	2682.2	2680.8	2684.1	2684.9	2681.0	2540.5	2684.9	2382.7	2579.6	086.6	086.6
FT-SE 250 Index	1224.04	1223.64	1222.07	1224.53	1217.07	1171.10	1224.53	1120.52	1204.53	038.62	038.62
FT-SE 100 Dividend	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36
FT-SE 250 Dividend	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36	4.36
FT-SE 100 Yield	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62
FT-SE 250 Yield	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62	1.62

GILT EDGED ACTIVITY											
Indices											
May 4											
Edged	90.8	90.8									
5-Day Average	90.8	90.8									
SE Activity 1974											
Excluding intra-market											
business and Overseas turnover											
London report and latest share index											
1st 6881 123001 Cans changed at 35p											
minute change 180p 46p minute at all											
other times											

Zofran boost for Glaxo

AFTER feeling the wrath of American investors on Friday, Glaxo returned to favour yesterday as encouraging weak-end press comment in the US restored the reputation of the group's leading drug, Zofran.

In fact, it was Glaxo's new drug Zofran which took centre stage yesterday as US approval - the first in the world - was received for the post-operative anti-nausea product. Analysts estimate that Zofran could generate sales of around \$400m a year by 1995.

Glaxo was also boosted by a series of institutional meetings in London arranged by Canadian group Biochem Pharm, which is developing an anti-aldosterone drug, B-100, for the company. The new drug, B-100, is seen as a potential market threat to Wellcome, which declined 8 to 10.58p. Glaxo surged ahead 8 to 761p in easy turnover of 4.5m.

SmithKline Beecham rose in sympathy with Glaxo to end 15 stronger at 870p. Expected approval by the US Food and Drug Administration of Fisons' Opticrom facility failed to materialise, the drug group

Williams weak

Conglomerate Williams Holdings lost more than 4 per cent of its equity value as the market responded to suggestions that the company may launch a white knight bid for Dowdy Group, the aerospace concern currently under attack from TI Group.

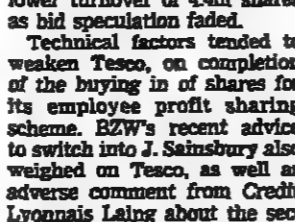
The shares tumbled 15 to 229p on turnover of 3.1m, with the market particularly concerned about the cash underwriting in the event of a bid from Williams. Mr Matthew Sutherland at County NatWest said: "I would not rule out the fact that Williams may be looking to do a white knight deal with Dowdy. But it is unlikely that they will make an acquisition that will dilute earnings."

Shares in leading retailers failed to respond favourably to yesterday's ½ point cut in bank base rates, the Bank of England's endorsement of lower rates having been widely forecast.

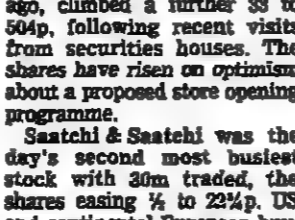
Trading in Sears was fairly active, at 8m shares, and the stock dipped 4 to 101p ahead of tomorrow's results. Turnover in other leading stores was not heavy, although the recent disappointment at retail sales performance tended to push prices lower.

W.J. Smith "A" slipped 6 to

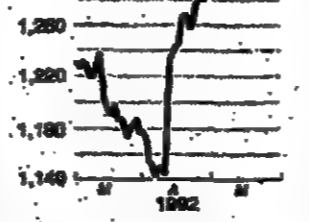
FT-A All-Share Index



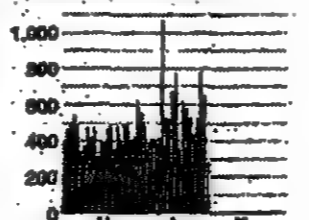
Equity Shares Traded



FT-A All-Share Index



Equity Shares Traded



Lehman Brothers' downgrade

Lehman Brothers' downgrade of Allied-Lyons continued to weigh on the drinks and food giant, pushing the shares 9 lower to 630p. Speculation about a possible takeover bid has also faded of late.

BAT Industries, which reports first-quarter figures today, was wanted, the shares advancing 14 to 78p on speculation that profits may be higher than anticipated.

P&O moved ahead 10 to 515p after Smith New Court reiterated its buy recommendation on the stock. Mr Clive Anderson at Smith said the company has "an undemanding multiple for a recovery play and an attractive yield".

Motor components manufacturer BSG International closed 1½ firmer at 64p after Smith New Court and Panmure Gordon successfully placed the 29.7 per cent stake held by Sir Ron Brierley with institutions. The majority of the 60m-share holding, which was bought by the brokers at 61½p, was placed at 62p, while a block of 13.5m was placed in ex-dividend form at 59½p.

MARKET REPORTERS: Christopher Price, Joel Kibazo, Colin Millham.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume	Value	Change	Stock	Volume	Value	Change	Stock	Volume	Value	Change
Admiral	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Anglo	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0
Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
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Asahi	100	100	0	British Petroleum	100	100	0	British Water	100	100	0
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Asahi	100	100	0	British Airways	100	100	0	British Telecom	100	100	0

LONDON SHARE SERVICE

AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593
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Year	1962	1963	1964	1965	1966
1961	231.1	171.6	1,888	4.88	4.88
1962	205.5	171.6	1,820	4.82	4.82
1963	205.5	171.6	1,820	4.82	4.82
1964	205.5	171.6	1,820	4.82	4.82
1965	205.5	171.6	1,820	4.82	4.82
1966	205.5	171.6	1,820	4.82	4.82
1967	205.5	171.6	1,820	4.82	4.82
1968	205.5	171.6	1,820	4.82	4.82
1969	205.5	171.6	1,820	4.82	4.82
1970	205.5	171.6	1,820	4.82	4.82
1971	205.5	171.6	1,820	4.82	4.82
1972	205.5	171.6	1,820	4.82	4.82
1973	205.5	171.6	1,820	4.82	4.82
1974	205.5	171.6	1,820	4.82	4.82
1975	205.5	171.6	1,820	4.82	4.82
1976	205.5	171.6	1,820	4.82	4.82
1977	205.5	171.6	1,820	4.82	4.82
1978	205.5	171.6	1,820	4.82	4.82
1979	205.5	171.6	1,820	4.82	4.82
1980	205.5	171.6	1,820	4.82	4.82
1981	205.5	171.6	1,820	4.82	4.82
1982	205.5	171.6	1,820	4.82	4.82
1983	205.5	171.6	1,820	4.82	4.82
1984	205.5	171.6	1,820	4.82	4.82
1985	205.5	171.6	1,820	4.82	4.82
1986	205.5	171.6	1,820	4.82	4.82
1987	205.5	171.6	1,820	4.82	4.82
1988	205.5	171.6	1,820	4.82	4.82
1989	205.5	171.6	1,820	4.82	4.82
1990	205.5	171.6	1,820	4.82	4.82
1991	205.5	171.6	1,820	4.82	4.82
1992	205.5	171.6	1,820	4.82	4.82
1993	205.5	171.6	1,820	4.82	4.82
1994	205.5	171.6	1,820	4.82	4.82
1995	205.5	171.6	1,820	4.82	4.82
1996	205.5	171.6	1,820	4.82	4.82
1997	205.5	171.6	1,820	4.82	4.82
1998	205.5	171.6	1,820	4.82	4.82
1999	205.5	171.6	1,820	4.82	4.82
2000	205.5	171.6	1,820	4.82	4.82
2001	205.5	171.6	1,820	4.82	4.82
2002	205.5	171.6	1,820	4.82	4.82
2003	205.5	171.6	1,820	4.82	4.82
2004	205.5	171.6	1,820	4.82	4.82
2005	205.5	171.6	1,820	4.82	4.82
2006	205.5	171.6	1,820	4.82	4.82
2007	205.5	171.6	1,820	4.82	4.82
2008	205.5	171.6	1,820	4.82	4.82
2009	205.5	171.6	1,820	4.82	4.82
2010	205.5	171.6	1,820	4.82	4.82
2011	205.5	171.6	1,820	4.82	4.82
2012	205.5	171.6	1,820	4.82	4.82
2013	205.5	171.6	1,820	4.82	4.82
2014	205.5	171.6	1,820	4.82	4.82
2015	205.5	171.6	1,820	4.82	4.82
2016	205.5	171.6	1,820	4.82	4.82
2017	205.5	171.6	1,820	4.82	4.82
2018	205.5	171.6	1,820	4.82	4.82
2019	205.5	171.6	1,820	4.82	4.82
2020	205.5	171.6	1,820	4.82	4.82
2021	205.5	171.6	1,820	4.82	4.82
2022	205.5	171.6	1,820	4.82	4.82
2023	205.5	171.6	1,820	4.82	4.82
2024	205.5	171.6	1,820	4.82	4

77	---	---	---	13	165	74
78	---	---	---	13	165	74
79	---	---	---	13	165	74
80	---	---	---	13	165	74
81	---	---	---	13	165	74
82	---	---	---	13	165	74
83	---	---	---	13	165	74
84	---	---	---	13	165	74
85	---	---	---	13	165	74
86	---	---	---	13	165	74
87	---	---	---	13	165	74
88	---	---	---	13	165	74
89	---	---	---	13	165	74
90	---	---	---	13	165	74
91	---	---	---	13	165	74
92	---	---	---	13	165	74
93	---	---	---	13	165	74
94	---	---	---	13	165	74
95	---	---	---	13	165	74
96	---	---	---	13	165	74
97	---	---	---	13	165	74
98	---	---	---	13	165	74
99	---	---	---	13	165	74
100	---	---	---	13	165	74

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Continued on next page

BERMUDA (ST) RECOGNISED

CS Account	15.997
CS Dir	15.997
DM Account	31.133
DM Dir	31.133

CANADA (STB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Guinness Flight Pd Minges (Guernsey)
PO Box 250, St Peter Port, Guernsey 0451
Guinness Flight International Team Fund Raising

Global Energy Fund ...	5	526.45	26.45	28.13	+0
Global Gold ...	5	516.08	16.08	17.09	+0
Global Leisure Fund ...	5	555.16	55.16	67.28	+0

UK index	5	132.62	12.62	12.96	..
US index	5	14.09	14.09	14.85	..
Japan index	5	5.097	5.097	5.187	..

1991	Mean AS	3	198.178	95	178	36	215	41
1991	Mean NZS	3	198.671	97	179	38	226	41
1991	C		198.000	10	000			000

1991	Mean AS	3	198.178	95	178	36	215	41
1991	Mean NZS	3	198.079	97	079	38	226	41
1991	C		100.000	10	000			988

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling slips after rate cut

Sterling held most attention in the foreign currency markets yesterday, after the Bank of England signalled a 1/2 per cent cut in UK base rates, writes James Bliz.

The UK currency dipped below DM2.92 shortly after lunch as investors who had bought sterling at around DM2.88 after the April general election took profits. However, traders reported a large amount of corporate buying of the currency shortly afterwards to help sterling finish the day at DM2.9250, half a pence down from its previous close.

It also finished down against the dollar at \$1.7825 compared to a previous close of \$1.7850. Against its trade weighted index, the pound closed at 92.2 after opening at 92.4.

Analysts believe that despite its late recovery yesterday, the rate cut carries some downside risk for the UK currency. "The gap between German and UK rates is now wider than it was," said Mr Neil MacKinnon, chief economist of Yamachi International, "and leaves sterling with little by way of support. The move has also shown the market that the UK authorities are prepared to use any chance they can to lower interest

rates."

Mr Gerard Lyons, chief economist of DKB International, also believes that the cut carries risks. "It showed that the authorities are more worried about the weakness of the economy than anything else," he said.

High German rates were yesterday dealing blows to the US dollar as well. In European and North American trading, the US currency weakened against the D-Mark, partly due to renewed hopes of a solution to the German labour strike. But the interest rate differentials between German and American rates were inescapable. As one dealer said, "Germany may have its industrial problems. But it's hard to ignore that you can get 9% per cent interest on the Deutschmark compared to about 3% per cent with the dollar." In European trading, the dollar finished at DM1.6405,

down from DM1.6410.

The only major currency not to lose out to the D-Mark yesterday was the French franc, which still enjoys investor popularity. An article in Le Monde, the French daily paper, suggested that there could be an impending revaluation of the currency. The franc finished at around FRF3.6950 after opening at FRF3.6960 against the D-Mark.

The dollar's difficulties stemmed mostly from last week's indifferent economic indicators. Analysts believe that employment data at the end of this week should show a modest but positive improvement, but that investors will have to wait until further into the month of May before seeing clear signs of a recovery. The dollar closed at ¥133.10 against a previous close of ¥132.70.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% Change	% Spread	Difference
Portuguese Escudo	200	178.25	178.25	0.00
Spanish Peseta	166.64	166.64	166.64	0.00
Belgian Franc	40.3399	40.3399	40.3399	0.00
French Franc	6.5596	6.5596	6.5596	0.00
Italian Lira	2036.27	2036.27	2036.27	0.00
D-Mark	1.9363	1.9363	1.9363	0.00
Spanish Ptas	166.64	166.64	166.64	0.00
Portuguese Escudo	200	178.25	178.25	0.00
Spanish Peseta	166.64	166.64	166.64	0.00
Belgian Franc	40.3399	40.3399	40.3399	0.00
French Franc	6.5596	6.5596	6.5596	0.00
Italian Lira	2036.27	2036.27	2036.27	0.00
D-Mark	1.9363	1.9363	1.9363	0.00
Spanish Ptas	166.64	166.64	166.64	0.00

The central bank set the EMS European Currency Unit rates at 12 noon yesterday. The rates are for the EMS currency unit, which is a weighted average of the currencies of the member states. The rates are subject to change if the central bank decides to adjust them.

POUND SPOT - FORWARD AGAINST THE POUND

Month	Spot	Forward	Change
1 month	92.4	92.4	0.0
3 months	92.4	92.4	0.0
6 months	92.4	92.4	0.0
12 months	92.4	92.4	0.0

CURRENCY MOVEMENTS

Currency	May 5	May 4	Change
US Dollar	1.7825	1.7850	-0.0025
Japanese Yen	133.10	132.70	+0.40
Swiss Franc	1.48	1.48	0.00
French Franc	6.5596	6.5596	0.00
Italian Lira	2036.27	2036.27	0.00
D-Mark	1.9363	1.9363	0.00
Spanish Ptas	166.64	166.64	0.00
Portuguese Escudo	200	178.25	0.00
Spanish Peseta	166.64	166.64	0.00
Belgian Franc	40.3399	40.3399	0.00
French Franc	6.5596	6.5596	0.00
Italian Lira	2036.27	2036.27	0.00
D-Mark	1.9363	1.9363	0.00
Spanish Ptas	166.64	166.64	0.00

CURRENCY RATES

Currency	Rate	Change
US Dollar	1.7825	-0.0025
Japanese Yen	133.10	+0.40
Swiss Franc	1.48	0.00
French Franc	6.5596	0.00
Italian Lira	2036.27	0.00
D-Mark	1.9363	0.00
Spanish Ptas	166.64	0.00
Portuguese Escudo	200	178.25
Spanish Peseta	166.64	166.64
Belgian Franc	40.3399	40.3399
French Franc	6.5596	6.5596
Italian Lira	2036.27	2036.27
D-Mark	1.9363	1.9363
Spanish Ptas	166.64	166.64

Contractual rates taken towards the end of London trading. 1 UK, Ireland and ECU are counted in US currency.
Forward premiums and discounts apply to the US dollar and not to the individual currency.

OTHER CURRENCIES

May 5	Rate	High	Low	Month	Year	Month	Year
Starting	10.00	9.75	10.25	10.00	10.00	10.00	10.00
US Dollar	1.7825	1.7825	1.7825	1.7825	1.7825	1.7825	1.7825
Can. Dollar	0.71	0.71	0.71	0.71	0.71	0.71	0.71
Dutch Guilder	0.36	0.36	0.36	0.36	0.36	0.36	0.36
Swiss Franc	0.70	0.70	0.70	0.70	0.70	0.70	0.70
French Franc	6.55	6.55	6.55	6.55	6.55	6.55	6.55
9-Mark	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Italian Lira	2036	2036	2036	2036	2036	2036	2036
Spanish Ptas	166.64	166.64	166.64	166.64	166.64	166.64	166.64
Portuguese Escudo	200	200	200	200	200	200	200
Spanish Peseta	166.64	166.64	166.64	166.64	166.64	166.64	166.64
Belgian Franc	40.33	40.33	40.33	40.33	40.33	40.33	40.33
French Franc	6.55	6.55	6.55	6.55	6.55	6.55	6.55
Italian Lira	2036	2036	2036	2036	2036	2036	2036
D-Mark	1.93	1.93	1.93	1.93	1.93	1.93	1.93
Spanish Ptas	166.64	166.64	166.64	166.64	166.64	166.64	166.64

EURO-CURRENCY INTEREST RATES

Month	Rate	Change
1 month	10.0	0.0
3 months	10.0	0.0
6 months	10.0	0.0
12 months	10.0	0.0

EXCHANGE CROSS RATES

U.S. \$	0.304	0.542	0.890	12.16	0.90	0.818	1	668.1	0.646	18.27	33.73	0.433
£ P.L.	0.455	0.811	1.377	70.8	2.494	1.225	1.497	100.0	0.967	27.35	35.42	0.648
¥	0.471	0.839	1.337	11.7	4.836	1.266	1.548	1034	1	28.78	36.25	0.649
FF	0.666	2.966	4.871	795.0	16.40	4.480	5.474	35.7	1.537	100.	355.1	2.368
DM	0.546	0.973	1.547	123.5	5.375	1.646	1.794	1159	1	30.20	40.00	0.776
Esc	0.703	1.253	2.057	166.8	6.925	1.892	2.312	1544	1.494	42.23	128.8	1.

Yen per 1,000. French Fr. per 100 Lira per 1,000. Belgian Fr. per 100 Peseta per 1,000.

MONEY MARKETS

Bank cuts base rate

The Bank of England signalled a 1/2 per cent cut in UK interest rates yesterday by offering lower rates at the short end of its dealing operations in the discount market. The base rate cut to 10% was the first rate cut for nine months, but the market appeared unsure as to what time scale to put on money at this level of interest.

After signalling a shortage of around £300m, the Bank purchased £10m of Band-1 Treasury bills at 9% per cent, £500m of Band-2 bank bills at 9% per cent, and £5m of Band-2 bank bills at 9% per cent.

UK clearing bank base lending rate

10 per cent from May 5, 1992

That interest rate compared with a rate of 10% offered for short-term bills in Bands-1 and -2 last week.

The forecast was later revised to a shortage of around £500m before taking account of the early operations.

The bank later purchased £300m of Band-2 bank bills at 9% per cent.

The overnight rate fell in line with the rate cuts, reaching a low on the day of 7 1/4 per cent and finishing at around 9% per cent.

But other period rates indicated, if anything, that the market expects this to be the

last rate cut for some time. The rate for three month money ended at 10 1/4 per cent compared to 10 1/2 per cent one week ago. Further out, the rates ended at 10 1/4 per cent for everything from four month money to one year.

In the futures market, volumes were high in the wake of the base rate cut. After trading in a twelve-tick range, the June short sterling contract finished at 89.92. The closing price indicates an implied interest rate in June of 10.06 per cent, roughly in line with a 10 per cent base rate.

The market's eyes are now fixed on whether the German Bundesbank might raise rates, a move that would put pressure on sterling following yesterday's cut.

Close attention will be paid to Thursday's meeting of the Bundesbank's General Council. "Nobody in the market expects the Bundesbank to raise rates on Thursday," said Mr Gerard Lyons, chief economist of DKB International. "But there is a fear that German money supply figures for April will ratchet up again." As a result, the market's eyes are even more firmly set on the Bundesbank meeting in two weeks' time, after the M3 figures have come out.

FINANCIAL FUTURES AND OPTIONS

LIFE LONG CALL FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG PUT FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG CALL PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG CALL PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG CALL PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG CALL PUTS

Strike	Call	Put	Call	Put
100	0.10	0.10	0.10	0.10
101	0.10	0.10	0.10	0.10
102	0.10	0.10	0.10	0.10
103	0.10	0.10	0.10	0.10
104	0.10	0.10	0.10	0.10
105	0.10	0.10	0.10	0.10
106	0.10	0.10	0.10	0.10
107	0.10	0.10	0.10	0.10
108	0.10	0.10	0.10	0.10
109	0.10	0.10	0.10	0.10
110	0.10	0.10	0.10	0.10

LIFE LONG PUTS

1.7865	1.7788	1.7699	1.7604	1.6925	Chen & Co	10
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IRBANK FIXING	
4 contracts US\$ Dollars	
bid 4h	offer 4h

on-amount, of the bid and offered rates for \$20m
on-amount. The bank's bid is for 100m

Why have k	
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CANADA

NADA							NADA						
Station	Stk	Hg	Low	Open	Close	Chg	Station	Stk	Hg	Low	Open	Close	Chg
102 Lowland Co	58	55	47 1/2	51	51		6260	Stk	52	51	Low	Close	Chg
5622 Lowland Inc	58	58	9	9	9	+1/2	6265	Stk	52	51	Low	Close	Chg
70000 Lowland	51	51	17	17 1/2			6268	Stk	52	51	Low	Close	Chg
30800 Macdonald	51 1/2	51 1/2	54	54	-1/2		6269	Stk	52	51	Low	Close	Chg
71200 Macdon	51 1/2	51 1/2	17	18 1/2			6270	Stk	52	51	Low	Close	Chg
10200 Maple Int	52 1/2	52 1/2	28 1/2	29 1/2			6271	Stk	52	51	Low	Close	Chg
17500 Map Fd	51 1/2	51 1/2	18 1/2	18 1/2			6272	Stk	52	51	Low	Close	Chg
57000 Mart Fd	51 1/2	51 1/2	20 1/2	20 1/2			6273	Stk	52	51	Low	Close	Chg
							6274	Stk	52	51	Low	Close	Chg
							6275	Stk	52	51	Low	Close	Chg
							6276	Stk	52	51	Low	Close	Chg
							6277	Stk	52	51	Low	Close	Chg
							6278	Stk	52	51	Low	Close	Chg
							6279	Stk	52	51	Low	Close	Chg
							6280	Stk	52	51	Low	Close	Chg
							6281	Stk	52	51	Low	Close	Chg
							6282	Stk	52	51	Low	Close	Chg
							6283	Stk	52	51	Low	Close	Chg
							6284	Stk	52	51	Low	Close	Chg
							6285	Stk	52	51	Low	Close	Chg
							6286	Stk	52	51	Low	Close	Chg
							6287	Stk	52	51	Low	Close	Chg
							6288	Stk	52	51	Low	Close	Chg
							6289	Stk	52	51	Low	Close	Chg
							6290	Stk	52	51	Low	Close	Chg
							6291	Stk	52	51	Low	Close	Chg
							6292	Stk	52	51	Low	Close	Chg
							6293	Stk	52	51	Low	Close	Chg
							6294	Stk	52	51	Low	Close	Chg
							6295	Stk	52	51	Low	Close	Chg
							6296	Stk	52	51	Low	Close	Chg
							6297	Stk	52	51	Low	Close	Chg
							6298	Stk	52	51	Low	Close	Chg
							6299	Stk	52	51	Low	Close	Chg
							6300	Stk	52	51	Low	Close	Chg

[illegible][illegible]

20400	Ranger (C)	56%	8%	11%	2400	Delaware	41%	7%	13%
20200	Raymond	58%	8%	11%	2410	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2420	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2430	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2440	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2450	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2460	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2470	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2480	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2490	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2500	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2510	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2520	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2530	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2540	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2550	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2560	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2570	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2580	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2590	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2600	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2610	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2620	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2630	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2640	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2650	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2660	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2670	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2680	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2690	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2700	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2710	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2720	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2730	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2740	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2750	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2760	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2770	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2780	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2790	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2800	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2810	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2820	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2830	Delaware	41%	7%	13%
15000	Reed	52%	22%	20%	2840	Delaware	41%	7%	13%</

	May	4	May	Apr	1942	
	5	4	1	30	MI24	CU90
AUSTRALIA (100% 12 1/2%)	1075	1044	1045	1030	1070 10 10 1/2	1065 10 10 1/2
BRITAIN (100% 12 1/2%)	728			708	717 20 10 1/2	709 20 10 1/2
CHINA (100% 12 1/2%)						
INDIA (100% 12 1/2%)	424 28	471 8	471 8	475 8	474 28 10 1/2	472 28 10 1/2
JAPAN (100% 12 1/2%)	955 30	949 30		941 30	948 48 10 1/2	946 48 10 1/2
FORMOSA (100% 12 1/2%)						
NET 100%	1299 27	1294 30	121	1182 28	1234 76 10 1/2	1237 76 10 1/2
DEBIT						
DEBITING (100% 12 1/2%)	734 52	731 51	730 51	730 46	735 115 1/2	731 115 1/2
NET 100%						
NET 100%	565 3	563 7	579	452 5	598 90 10 1/2	578 90 10 1/2
NET 100%						
NET 100%						

GERMANY	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)	(73)	(74)	(75)	(76)	(77)	(78)	(79)	(80)	(81)	(82)	(83)	(84)	(85)	(86)	(87)	(88)	(89)	(90)	(91)	(92)	(93)	(94)	(95)	(96)	(97)	(98)	(99)	(100)	(101)	(102)	(103)	(104)	(105)	(106)	(107)	(108)	(109)	(110)	(111)	(112)	(113)	(114)	(115)	(116)	(117)	(118)	(119)	(120)	(121)	(122)	(123)	(124)	(125)	(126)	(127)	(128)	(129)	(130)	(131)	(132)	(133)	(134)	(135)	(136)	(137)	(138)	(139)	(140)	(141)	(142)	(143)	(144)	(145)	(146)	(147)	(148)	(149)	(150)	(151)	(152)	(153)	(154)	(155)	(156)	(157)	(158)	(159)	(160)	(161)	(162)	(163)	(164)	(165)	(166)	(167)	(168)	(169)	(170)	(171)	(172)	(173)	(174)	(175)	(176)	(177)	(178)	(179)	(180)	(181)	(182)	(183)	(184)	(185)	(186)	(187)	(188)	(189)	(190)	(191)	(192)	(193)	(194)	(195)	(196)	(197)	(198)	(199)	(200)	(201)	(202)	(203)	(204)	(205)	(206)	(207)	(208)	(209)	(210)	(211)	(212)	(213)	(214)	(215)	(216)	(217)	(218)	(219)	(220)	(221)	(222)	(223)	(224)	(225)	(226)	(227)	(228)	(229)	(230)	(231)	(232)	(233)	(234)	(235)	(236)	(237)	(238)	(239)	(240)	(241)	(242)	(243)	(244)	(245)	(246)	(247)	(248)	(249)	(250)	(251)	(252)	(253)	(254)	(255)	(256)	(257)	(258)	(259)	(260)	(261)	(262)	(263)	(264)	(265)	(266)	(267)	(268)	(269)	(270)	(271)	(272)	(273)	(274)	(275)	(276)	(277)	(278)	(279)	(280)	(281)	(282)	(283)	(284)	(285)	(286)	(287)	(288)	(289)	(290)	(291)	(292)	(293)	(294)	(295)	(296)	(297)	(298)	(299)	(300)	(301)	(302)	(303)	(304)	(305)	(306)	(307)	(308)	(309)	(310)	(311)	(312)	(313)	(314)	(315)	(316)	(317)	(318)	(319)	(320)	(321)	(322)	(323)	(324)	(325)	(326)	(327)	(328)	(329)	(330)	(331)	(332)	(333)	(334)	(335)	(336)	(337)	(338)	(339)	(340)	(341)	(342)	(343)	(344)	(345)	(346)	(347)	(348)	(349)	(350)	(351)	(352)	(353)	(354)	(355)	(356)	(357)	(358)	(359)	(360)	(361)	(362)	(363)	(364)	(365)	(366)	(367)	(368)	(369)	(370)	(371)	(372)	(373)	(374)	(375)	(376)	(377)	(378)	(379)	(380)	(381)	(382)	(383)	(384)	(385)	(386)	(387)	(388)	(389)	(390)	(391)	(392)	(393)	(394)	(395)	(396)	(397)	(398)	(399)	(400)	(401)	(402)	(403)	(404)	(405)	(406)	(407)	(408)	(409)	(410)	(411)	(412)	(413)	(414)	(415)	(416)	(417)	(418)	(419)	(420)	(421)	(422)	(423)	(424)	(425)	(426)	(427)	(428)	(429)	(430)	(431)	(432)	(433)	(434)	(435)	(436)	(437)	(438)	(439)	(440)	(441)	(442)	(443)	(444)	(445)	(446)	(447)	(448)	(449)	(450)	(451)	(452)	(453)	(454)	(455)	(456)	(457)	(458)	(459)	(460)	(461)	(462)	(463)	(464)	(465)	(466)	(467)	(468)	(469)	(470)	(471)	(472)	(473)	(474)	(475)	(476)	(477)	(478)	(479)	(480)	(481)	(482)	(483)	(484)	(485)	(486)	(487)	(488)	(489)	(490)	(491)	(492)	(493)	(494)	(495)	(496)	(497)	(498)	(499)	(500)	(501)	(502)	(503)	(504)	(505)	(506)	(507)	(508)	(509)	(510)	(511)	(512)	(513)	(514)	(515)	(516)	(517)	(518)	(519)	(520)	(521)	(522)	(523)	(524)	(525)	(526)	(527)	(528)	(529)	(530)	(531)	(532)	(533)	(534)	(535)	(536)	(537)	(538)	(539)	(540)	(541)	(542)	(543)	(544)	(545)	(546)	(547)	(548)	(549)	(550)	(551)	(552)	(553)	(554)	(555)	(556)	(557)	(558)	(559)	(560)	(561)	(562)	(563)	(564)	(565)	(566)	(567)	(568)	(569)	(570)	(571)	(572)	(573)	(574)	(575)	(576)	(577)	(578)	(579)	(580)	(581)	(582)	(583)	(584)	(585)	(586)	(587)	(588)	(589)	(590)	(591)	(592)	(593)	(594)	(595)	(596)	(597)	(598)	(599)	(600)	(601)	(602)	(603)	(604)	(605)	(606)	(607)	(608)	(609)	(610)	(611)	(612)	(613)	(614)	(615)	(616)	(617)	(618)	(619)	(620)	(621)	(622)	(623)	(624)	(625)	(626)	(627)	(628)	(629)	(630)	(631)	(632)	(633)	(634)	(635)	(636)	(637)	(638)	(639)	(640)	(641)	(642)	(643)	(644)	(645)	(646)	(647)	(648)	(649)	(650)	(651)	(652)	(653)	(654)	(655)	(656)	(657)	(658)	(659)	(660)	(661)	(662)	(663)	(664)	(665)	(666)	(667)	(668)	(669)	(670)	(671)	(672)	(673)	(674)	(675)	(676)	(677)	(678)	(679)	(680)	(681)	(682)	(683)	(684)	(685)	(686)	(687)	(688)	(689)	(690)	(691)	(692)	(693)	(694)	(695)	(696)	(697)	(698)	(699)	(700)	(701)	(702)	(703)	(704)	(705)	(706)	(707)	(708)	(709)	(710)	(711)	(712)	(713)	(714)	(715)	(716)	(717)	(718)	(719)	(720)	(721)	(722)	(723)	(724)	(725)	(726)	(727)	(728)	(729)	(730)	(731)	(732)	(733)	(734)	(735)	(736)	(737)	(738)	(739)	(740)	(741)	(742)	(743)	(744)	(745)	(746)	(747)	(748)	(749)	(750)	(751)	(752)	(753)	(754)	(755)	(756)	(757)	(758)	(759)	(760)	(761)	(762)	(763)	(764)	(765)	(766)	(767)	(768)	(769)	(770)	(771)	(772)	(773)	(774)	(775)	(776)	(777)	(778)	(779)	(780)	(781)	(782)	(783)	(784)	(785)	(786)	(787)	(788)	(789)	(790)	(791)	(792)	(793)	(794)	(795)	(796)	(797)	(798)	(799)	(800)	(801)	(802)	(803)	(804)	(805)	(806)	(807)	(808)	(809)	(810)	(811)	(812)	(813)	(814)	(815)	(816)	(817)	(818)	(819)	(820)	(821)	(822)	(823)	(824)	(825)	(826)	(827)	(828)	(829)	(830)	(831)	(832)	(833)	(834)	(835)	(836)	(837)	(838)	(839)	(840)	(841)	(842)	(843)	(844)	(845)	(846)	(847)	(848)	(849)	(850)	(851)	(852)	(853)	(854)	(855)	(856)	(857)	(858)	(859)	(860)	(861)	(862)	(863)	(864)	(865)	(866)	(867)	(868)	(869)	(870)	(871)	(872)	(873)	(874)	(875)	(876)	(877)	(878)	(879)	(880)	(881)	(882)	(883)	(884)	(885)	(886)	(887)	(888)	(889)	(890)	(891)	(892)	(893)	(894)	(895)	(896)	(897)	(898)	(899)	(900)	(901)	(902)	(903)	(904)	(905)	(906)	(907)	(908)	(909)	(910)	(911)	(912)	(913)	(914)	(915)	(916)	(917)	(918)	(919)	(920)	(921)	(922)	(923)	(924)	(925)	(926)	(927)	(928)	(929)	(930)	(931)	(932)	(933)	(934)	(935)	(936)	(937)	(938)	(939)	(940)	(941)	(942)	(943)	(944)	(945)	(946)	(947)	(948)	(949)	(950)	(951)	(952)	(953)	(954)	(955)	(956)	(957)	(958)	(959)	(960)	(961)	(962)	(963)	(964)	(965)	(966)	(967)	(968)	(969)	(970)	(971)	(972)	(973)	(974)	(975)	(976)	(977)	(978)	(979)	(980)	(981)	(982)	(983)	(984)	(985)	(986)	(987)	(988)	(989)	(990)	(991)	(992)	(993)	(994)	(995)	(996)	(997)	(998)	(999)	(1000)	(1001)	(1002)	(1003)	(1004)	(1005)	(1006)	(1007)	(1008)	(1009)	(1010)	(1011)	(1012)	(1013)	(1014)	(1015)	(1016)	(1017)	(1018)	(1019)	(1020)	(1021)	(1022)	(1023)	(1024)	(1025)	(1026)	(1027)	(1028)	(1029)	(1030)	(1031)	(1032)	(1033)	(1034)	(1035)	(1036)	(1037)	(1038)	(1039)	(1040)	(1041)	(1042)	(1043)	(1044)	(1045)	(1046)	(1047)	(1048)	(1049)	(1050)	(1051)	(1052)	(1053)	(1054)	(1055)	(1056)	(1057)	(1058)	(1059)	(1060)	(1061)	(1062)	(1063)	(1064)	(1065)	(1066)	(1067)	(1068)	(1069)	(1070)	(1071)	(1072)	(1073)	(1074)	(1075)	(1076)	(1077)	(1078)	(1079)	(1080)	(1081)	(1082)	(1083)	(1084)	(1085)	(1086)	(1087)	(1088)	(1089)	(1090)	(1091)	(1092)	(1093)	(1094)	(1095)	(1096)	(1097)	(1098)	(1099)	(1100)	(1101)	(1102)	(1103)	(1104)	(1105)	(1106)	(1107)	(1108)	(1109)	(1110)	(1111)	(1112)	(1113)	(1114)	(1115)	(1116)	(1117)	(1118)	(1119)	(1120)	(1121)	(1122)	(1123)	(1124)	(1125)	(1126)	(1127)	(1128)	(1129)	(1130)	(1131)	(1132)	(1133)	(1134)	(1135)	(1136)	(1137)	(1138)	(1139)	(1140)	(1141)	(1142)	(1143)	(1144)	(1145)	(1146)	(1147)	(1148)	(1149)	(1150)	(1151)	(1152)	(1153)	(1154)	(1155)	(1156)	(1157)	(1158)	(1159)	(1160)	(1161)	(1162)	(1163)	(1164)	(1165)	(1166)	(1167)	(1168)	(1169)	(1170)	(1171)	(1172)	(1173)	(1174)	(1175)	(1176)	(1177)	(1178)	(1179)	(1180)	(1181)	(1182)	(1183)	(1184)	(1185)	(1186)	(1187)	(1188)	(1189)	(1190)	(1191)	(1192)	(1193)	(1194)	(1195)	(1196)	(1197)	(1198)	(1199)	(1200)	(1201)	(1202)	(1203)	(1204)	(1205)	(1206)	(1207)	(1208)	(1209)	(1210)	(1211)	(1212)	(1213)	(1214)	(1215)	(1216)	(1217)	(1218)	(1219)	(1220)	(1221)	(1222)	(1223)	(1224)	(1225)	(1226)	(1227)	(1228)	(1229)	(1230)	(1231)	(1232)	(1233)	(1234)	(1235)	(1236)	(1237)	(1238)	(1239)	(1240)	(1241)	(1242)	(1243)	(1244)	(1245)	(1246)	(1247)	(1248)	(1249)	(1250)	(1251)	(1252)	(1253)	(1254)	(1255)	(1256)	(1257)	(1258)	(1259)	(1260)	(1261)	(1262)	(1263)	(1264)	(1265)	(1266)	(1267)	(1268)	(1269)	(1270)	(1271)	(1272)	(1273)	(1274)	(1275)	(1276)	(1277)	(1278)	(1279)	(1280)	(1281)	(1282)	(1283)	(1284)	(1285)	(1286)	(1287)	(1288)	(1289)	(1290)	(1291)	(1292)	(1293)	(1294)	(1295)	(1296)	(1297)	(1298)	(1299)	(1300)	(1301)	(1302)	(1303)	(1304)	(1305)	(1306)	(1307)	(1308)	(1309)	(1310)	(1311)	(1312)	(1313)	(1314)	(1315)	(1316)	(1317)	(1318)	(1319)	(1320)	(1321)	(1322)	(1323)	(1324)	(1325)	(1326)	(1327)	(1328)	(1329)	(1330)	(1331)	(1332)	(1333)	(1334)	(1335)	(1336)	(1337)	(1338)	(1339)	(1340)	(1341)	(1342)	(1343)	(1344)	(1345)	(1346)	(1347)	(1348)	(1349)	(1350)	(1351)	(1352)	(1353)	(1354)	(1355)	(1356)	(1357)	(1358)	(1359)	(1360)	(1361)	(1362)	(1363)	(1364)	(1365)	(1366)	(1367)	(1368)	(1369)	(1370)	(1371)	(1372)	(1373)	(1374)	(1375)	(1376)	(1377)	(1378)	(1379)	(1380)	(1381)	(1382)	(1383)	(1384)	(1385)	(1386)	(1387)	(1388)	(1389)	(1390)	(1391)	(1392)	(1393)	(1394)	(1395)	(1396)	(1397)	(1398)	(1399)	(1400)	(1401)	(1402)	(1403)	(1404)	(1405)	(1406)	(1407)	(1408)	(1409)	(1410)	(1411)	(1412)	(1413)	(1414)	(1415)	(1416)	(1417)	(1418)	(1419)	(1420)	(1421)	(1422)	(1423)	(1424)	(1425)	(1426)	(1427)	(1428)	(1429)	(1430)	(1431)	(1432)	(1433)	(1434)	(1435)	(1436)	(1437)	(1438)	(1439)	(1440)	(1441)	(1442)	(1443)	(1444)	(1445)	(1446)	(1447)	(1448)	(1449)	(1450)	(1451)	(1452)	(1453)	(1454)	(1455)	(1456)	(1457)	(1458)	(1459)	(1460)	(1461)	(1462)	(1463)	(1464)	(1465)	(1466)	(1467)	(1468)	(1469)	(1470)	(1471)	(1472)	(1473)	(1474)	(1475)	(1476)	(1477)	(1478)	(1479)	(1480)	(1481)	(1482)	(1483)	(1484)	(1485)	(1486)	(1487)	(1488)	(1489)	(1490)	(1491)	(1492)	(1493)	(1494)	(1495)	(1496)	(1497)	(1498
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Share values of all indices are 100 except: America's Trustee, 862.38; REX Gen, 849 Gen, Euro-Ten-100 524.9 Gen and IAX - 1,000; AXI Gen - 225.7; 25c Investment - 394.5 and Healthcare All Industry and Mining - 500. Closed to Unavailable.

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NASDAQ NATIONAL MARKET[illegible]

3:00 pm prices May 5

Stock	Div.	PV	52 Wk High	Low	Close	Chng	Stock	Div.	PV	52 Wk High	Low	Close	Chng	Stock	Div.	PV	52 Wk High	Low	Close	Chng
Air Corp	2	0.65	31	28	27 1/2	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Amc Drug	0.16	14	21 1/2	20	20 1/2	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	2	17	14 1/2	14	14 1/2	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2	31 1/2	31 1/2	+
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Alfa Ind	0	10	10	10	10	+	Chrysler	4	0.80	5	4 1/2	+	+	General	0.24	31	30 1/2			

The FT proposes to publish this survey on

Edward Batt on
071 873 4196 or
fax 071 873 3062

Data source: Captains of Industry 1991/MORI

FT SURVEYS

GWENT

The FT proposes to publish this survey on:

June 4 1992

from the print centres in Tokyo, New York, Frankfurt, Rome and London. It will also be read by senior businessmen and government officials in 160 countries worldwide. It is expected to be of particular interest to 130,000 directors and managers in the U.K. who read the weekday FT.

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Merchants House,
Wapping Road,

Data source: BMA's Assessment Service

ET SURVEYS

FT SURVEYS

John C. ...

WORLD STOCK MARKETS

AMERICA

Dow pauses after reaching record level

Wall Street

US equities moved in a narrow range in quiet trading after closing at a record high on Monday, writes Karen Zagar in New York.

At 1:30 pm, the Dow Jones Industrial Average was off 0.93 at 3,371.20. Volume was modest, with less than 115m shares changing hands by 1 pm.

On the big board, advancing issues had a slim edge on those declining.

The Standard & Poor's 500 added 0.49 to 417.40 at 1 pm while the Nasdaq composite gained 2.01 to 555.55.

Transportation issues were particularly strong with the Dow Jones Transportation Average up 18.83 to 1,394.82 at 1 pm.

Delta Air Lines firmed \$1 1/4 to \$51 1/4. AMR, parent of American Airlines, added \$2 1/4 to \$68 1/4 and UAL, parent of United Airlines, rose \$2 1/4 to \$127 1/4.

Among featured issues, Cigna added \$1 1/4 to \$52 1/4. The insurance company's first quarter earnings of \$1.48 a share, against 67 cents a year earlier, was released after the close of trade on Monday.

Glaxo Holding's American Depository Receipts rose \$ 1/4 to \$27 in heavy trading. The company's Zofran drug received marketing approval in the UK for use in preventing and treating post-operative nausea.

The approval comes only days after UK regulators approved marketing of Glaxo's migraine drug.

April car sales figures from Ford and Chrysler spurred active trading in both issues.

Chrysler turned in a 35 per cent jump in truck sales for the month while car sales rose 5 per cent. The company said April was its best month for total vehicle sales in nearly two years.

Ford's car sales advanced 5.5 per cent while truck sales rose 19.2 per cent. Shares in Ford

ended \$ 1/4 to \$44 1/4 while Chrysler added \$ 1/4 to \$18 1/4.

ITT, the big US conglomerate, climbed \$2 1/4 to \$66 1/4 in active trading on news that it is planning a new share repurchase programme for common and convertible preferred stock up to \$5m equivalent common shares.

The repurchase plan is intended to help the company achieve a 15 per cent return on equity by 1995.

Santa Fe Pacific slipped \$ 1/4 to \$12 1/4 on news that it had filed for a secondary offering with the Securities and Exchange Commission (SEC) to allow beleaguered Canadian property developers Olympia & York to sell its 18 per cent stake in the railway company.

Technology issues performed well on both the big board and in over-the-counter trading.

On the NYSE, IBM rose \$ 1/4 to \$98 1/4 and Hewlett Packard firmed \$1 1/4 to \$21 1/4.

In over-the-counter trading, Microsoft added \$1 1/4 to \$115 1/4, but Apple Computer eased \$ 1/4 to \$50.

Canada

TORONTO stocks were mixed in quiet trading as investors awaited the Canadian long bond and the US three-year note auction later in the session.

The TSE 300 was up 5.5 to 3,369.1. Declines led advances by 223 to 209 in volume of 14.3m shares valued at C\$174.5m.

The gold sector climbed 2.35 per cent while the industrial products and the real estate and construction sectors both dropped nearly 0.75 per cent.

Among the most active stocks, Dundee Bancorp A shares added 13 cents to C\$2.37, Northern Telecom eased C\$ 1/4 to C\$46 1/4 and Telus Corp was steady at C\$14 1/4. Anderson Exploration added C\$ 1/4 to C\$9 and Placer Dome firmed C\$ 1/4 to C\$12 1/4.

EUROPE

Zurich at 1992 high as Milan sinks to new low

ZURICH closed at a new high for the year, while Milan hit a 1992 low, writes Our Markets Staff.

FRANKFURT, anticipating an early end to the public sector strikes, recorded its first gains in the DAX since April 22. The index advanced 4.36 to 1,732.64, although the FAZ index was 1.29 lower at 886.00.

Turnover rose to DM4.3m from DM3.8m.

Retailers were stronger on hopes that a resolution to the strike would mean a return to normal levels of consumer spending. Estimates have suggested that sales have fallen by between 20-50 per cent over the last two weeks.

Asko rose DM12 to DM21, Karstadt gained DM11.50 to 15 per cent to DM20 and Kaufhof was DM9 firmer at DM48.

Escada, the fashion house, saw the sharpest fall of the day, losing DM81 to 10 per cent to DM430 after forecasting lower 1992 profits.

Scherer fell DM5.50 to DM81.37 after reporting a 2 per cent fall in first quarter profits, due to weaker earnings at its pesticide division. Henkel shed DM1.50 to DM613 in spite

FT-SE Eurotrack 100 - May 5

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	Close
1177.59	1177.81	1177.42	1177.50	1178.10	1178.25	1178.54	1178.23
Day's High: 1178.15		Day's Low: 1176.72					
May 1	Apr 30	Apr 29	Apr 28	Apr 27			
1175.00	1174.86	1174.59	1169.81	1169.59			

Base value 100 (28/09/88)

of forecasting a rise in turnover this year.

Lufthansa fell another DM1 to DM146.50, as the strike shut down Frankfurt. Volkswagen gained DM1.70 to DM380.50 ahead of today's annual report and Degussa closed at a year's high, up DM9.50 to DM356.50.

PARIS was boosted by Wall Street's overnight record close and hopes of lower interest rates following the cut in the UK. The CAC-40 index closed up 5.51 at 2,046.55 but turnover was modest at FF2.4m ahead of the holiday on Friday.

Eurotunnel added 70 centimes or 1.8 per cent to FF39.40 with 1.1m shares traded on expectations that it would fill the vacancy in the CAC-40 index following the merger of Hachette and Matra.

The packaging companies CMB

and Pechiney International are also contenders for inclusion in the index. Pechiney International added FF4.20 or 3 per cent to FF211.70, while CMB rose FF3.50 or 1.9 per cent to FF183.50.

Hachette and Matra could fall when they resume trading today, on disappointment at the lack of details on the exchange of existing shares into shares of the future Matra-Hachette SA.

ZURICH advanced to a new high for the year, with Roche taking the limelight. The SMI index gained 12.8 to 1,920.5, but off an intra-day high of 1,926.4.

Roche, which reported a 26 per cent rise in first quarter group sales, saw its certificates gain SF750 to SF14,300 while its bearers shed SF70 to SF14,200. The group said it intends to

Pacific Rim puts Japan in the shade

By John Pitt

Pacific Rim markets, with the exception of Japan, were strong last week as Hong Kong attained an all-time high and Singapore attracted institutional buying.

However, weakness in Europe, and a listless Tokyo ahead of the Golden Week holidays, restricted the gain in the FT-Actuaries World Index to 0.67 per cent in local currency terms.

Hong Kong was initially boosted by a Chinese politician's reiterated view that economic reforms in China would continue. This was followed by the announcement by Lloyds Bank that it was to challenge HSBC's bid for Midland Bank, of the UK.

Any signal that HSBC's bid might fail is being welcomed, says Mr David Bates of Asia

Equity in London. "The view in Hong Kong is that they would prefer HSBC to invest in China," he added.

This was demonstrated last Wednesday when rumours that HSBC might increase its \$2.3bn offer knocked 50 points off the Hang Seng index in 15 minutes.

However, the market rallied in the last two days of the week, on Friday climbing 3 per cent to a record level as investors anticipated the half-point cut in interest rates that was announced after the close.

A buy program worth \$100m by a US fund on Thursday boosted Singapore. The program was the equivalent of an average day's turnover. Speculation that this week's first-quarter GDP figures would reveal growth of some 5 per cent, better than expectations, also helped to lift sentiment later in the week.

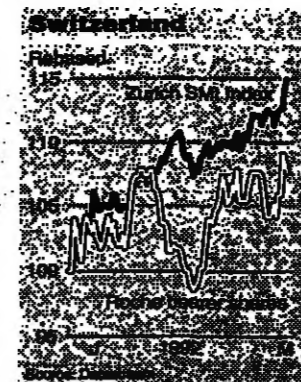
After last Thursday's 2 per cent advance was equalled on Monday (the market was closed on Friday), the Straits Times Industrial Index fell back yesterday, closing 10.32 off at 1,488.65.

South Africa was lifted by the return of institutional investors, who opted for industrial and mining shares. A rise in the price of gold and platinum gave additional buoyancy to the market.

A presentation by De Beers, at which the group forecast sales for the first half of 1992 15 per cent below those of the corresponding 1991 period, was seen as positive. An earlier prediction had put the fall at between 25 to 35 per cent.

Some analysts, however, expect the South African market to consolidate this year after the 40 per cent rise in the industrial index last year.

Mexico was depressed by Telcel's first-quarter figures showing an unspectacular 13



Issue American Depository Receipts for its certificates.

Swissair bearers advanced SF70 to SF1750 after reporting a 5 per cent increase in first quarter earnings, while Baloise certificates advanced SF155 to SF2,120 after Monday's announcement that it was to swap certificates for shares. Its registered shares fell SF90 to SF13,200.

MILAN closed at a new 1992 low as hopes for a technical correction came to nothing. The Comit index fell 4.08 to 422.18 in turnover estimated at

near Tuesday's 1,129m.

Analysis said that while a temporary recovery was still likely, the outlook for the market was far from encouraging. The increased political and economic risks had not yet been discounted, and there were also fears that the market would sink under the weight of new paper if the state holding company, IRI, continued to sell off stakes in state-controlled companies.

Generali dropped 1.360 to 1,291.40 ahead of its 1991 results. After the close, the insurer reported a rise of 8.1 per cent in its parent net profit to 1,381m, which appeared slightly better than expectations. But analysts were disappointed that Generali had again decided to pay part of the dividend with Alliance savings shares.

Shell recovered 1.28 to 1,129.7 after its recent slump while Italcementi showed signs of stabilising, closing 1,101 lower at 1,142.22.

AMSTERDAM's CBS Tendency Index closed 0.6 lower at 129.3.

DSM shed 50 cents to F11.50 in spite of its first

quarter profits falling in line with market expectations.

Also, which reported strong first quarter growth last week, gained F1.90 to F1.161.90.

Nedlloyd advanced F1.90 to F1.58.20 on a buy note from County NatWest, while Philips, which reports first quarter results today, weakened 40 cents to F1.38.60.

STOCKHOLM's Affarsvärlden General index added 8.2 to 993.7 in turnover of SKR748m after SKR442m.

Procordia B-restricted shares closed SKR3 higher at SKR196 and Volvo's B-restricted climbed SKR1 to SKR412, after last night's announcement that Procordia had called off its bid to take over the vehicle group.

MADRID was stronger in moderate turnover of some Ptas11b. The general index rose 0.12 to 280.17.

Tubacex gained Ptas30 or 1.4 per cent to Ptas305 on news that Paribas, the French bank, was to take a stake in the steel manufacturer.

OSLO gained ground on renewed hopes of economic recovery. The all-share index closed up 0.64 at 455.12 in turnover of NKr706m.

MARKETS IN PERSPECTIVE

	% change in local currency	% change sterling	% change US\$
	1 Week	4 Weeks	1 Year
Austria	-2.18	-3.30	-22.18
Belgium	-0.03	+1.23	-2.12
Denmark	-1.30	+1.21	-5.08
Finland	+1.81	+4.76	-22.84
France	+1.96	+3.67	+15.90
Germany	-1.48	-0.32	+2.45
Ireland	+1.14	+7.38	-0.82
Italy	-0.58	-0.58	-0.58
Netherlands	+1.18	+4.57	+6.46
Norway	+3.80	+5.89	-8.40
Spain	-0.59	-0.84	-6.05
Sweden	-0.22	+0.84	+0.51
Switzerland	+0.53	+3.21	+12.68
UK	+0.61	+12.29	+2.14
EUROPE	+0.58	+3.38	+5.49
Australia	+3.70	+5.87	+7.28
Hong Kong	+3.14	+11.48	+51.20
Japan	-0.15	-0.28	-38.40
Malaysia	+0.54	-0.38	-6.13
New Zealand	-0.25	+4.18	-3.02
Singapore	+4.55	+8.04	-1.06
Canada	+0.28	-0.72	-5.08
USA	+0.28	+2.58	+9.17
Mexico	-3.44	-2.18	+26.82
South Africa	+2.59	-0.67	+15.45
WORLD INDEX	+0.57	+2.94	-2.18

ASIA PACIFIC

Hong Kong runs into profit-taking

WALL STREET'S record close overnight had only a limited effect on the Pacific Rim yesterday, as Tokyo remained shut for the Golden Week holidays. Seoul was closed for Children's Day, while Bombay was closed to enable brokers to complete business done in the last two weeks.

Bangkok was also shut for a public holiday. Dealers feared that an anti-government protest, planned to coincide with Prime Minister Suchinda Kraprayoon's policy speech to parliament, could prompt a fall in share prices when the market reopens today.

HONG KONG ran into profit-taking after its recent record-breaking run. The Hang Seng index climbed more than 60 points in the first 15 minutes of trading, but was then pushed into negative territory before closing a net 17.43 up at 5,631.21. Turnover was still heavy, at HK\$4.9bn, after HK\$4.8bn.

Among utilities, Hong Kong Electric put on 10 cents to HK\$17.10 and Hong Kong Tele-

com rose 25 cents to HK\$2.70. Jardine Matheson slipped 60 cents to HK\$25.50, Sun Hung Kai Properties shed 50 cents to HK\$31.50, and Hang Seng Bank lost 25 cents to HK\$42.75.

AUSTRALIA ended firmer but after retreating from the day's high in the wake of comments by Mr Paul Keating, the prime minister, suggesting that interest rates would only be cut by a half-point rather than the full point the market had been expecting. The All Ordinaries index ended just 1.1 ahead at 1,885.5, after reaching 1,878.4, in turnover of A\$222m, against A\$166m.

BHP slipped 6 cents to A\$14.06, but News Corp gained a further 56 cents to end at the day's best of A\$20.50.

NEW ZEALAND gained ground but slipped from the day's high following light profit-taking in Fletcher Challenge and Carter Holt Harvey, which have both advanced strongly in recent weeks. The NZSE-40 index moved forward to 1,478.37 before finishing at 1,470.12, up 2.58 on balance.

Turnover expanded to NZ\$28.4m from NZ\$20.3m. Fletcher touched NZ\$3.56 before ending down 3 cents at NZ\$3.50, while Carter Holt reached NZ\$2.58 before closing 2 cents off at NZ\$2.55.

Telecom benefited from the rally on Wall Street, recovering 4 cents to NZ\$1.99.

KUALA LUMPUR closed broadly higher as smaller investors joined the recent rally, concentrating on stocks in the second and third tiers. Dealers also attributed the market's buoyancy to the publicity ahead of listing of power company Tenaga Nasional at the end of this month. The composite index rose 5.55 to 608.02 in turnover of M\$145m, up from M\$102m.

Telecom was active, rising 20 cents to M\$12.40.

TAIWAN finished mixed in light activity, after early gains were eroded. The weighted index opened more than 30 points higher but closed a net 2.94 off at 4,536.53 after buying interest faded. Turnover came to T\$16.5m (T\$17.3m).

Cement shares rose on reports that demand for cement would soar because of Taiwan's huge infrastructure building plans. Chia Hsin Cement rose T\$3.50 to T\$95.

MANILA lost early gains on profit-taking. The composite index shed 0.31 to 1,245.53 as turnover rose to 169m pesos from 148m. Philippine Long Distance Telephone backed the trend, rising 15 pesos to 970 pesos.

JAKARTA's index ended 3.05 up at 293.12 in moderate volume of 7.7m shares. Cigarette shares rose on expectations that a monopoly supplying the industry with cloves, an essential ingredient in local cigarettes, would soon collapse.

SOUTH AFRICA JOHANNESBURG closed sharply higher following the sharp rise in the index as finance minister. The industrial index added 39 to 4,407 and the overall index was 29 higher at 5,533. The gold index added 2 to 1,058.

BASE RATE

With effect from close of business on 5th May 1992

Base Rate is decreased from

10.5% to 10%

All facilities (including regular consumer credit agreements) with a rate of interest linked to Yorkshire Bank Base Rate will be varied accordingly.

Yorkshire Bank

Head Office: 20 Merton Way, Leeds LS2 8NZ

GREEK EXPORTS S.A. INVITATION TO TENDER

for the assets of THERMIS INDUSTRIAL CORPORATION

In line with the Greek Government's privatization programme and in accordance with Law No. 2000/91, GREEK EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK (SIDA) S.A., which, by Decision No. 977/1992 of the Hellenic Council of Ministers, has been authorized to sell to private investors the total assets of THERMIS CO. in accordance with the provisions of Article 4 of Law No. 2000/91, hereby invites SIDA 15.5% of the company shares, the remainder being held by private shareholders.

THERMIS CO. was established in 1991 and carried out manufacturing in 1992 up to which year it had been manufacturing boilers, radiators and other articles for central heating installations.

At the present time, the company's activities are carried out by the HEATING ARTICLES Industrial Corporation.

The production facilities of the Company, which have been leased to HEATING ARTICLES CO., are located at the boundary of Eleusis and Piraeus, on land with an area of about 14,810 sq. metres owned by the Company.

In 1992, THERMIS CO. was placed under special liquidation as provided for by Article 9 of Law No. 1396/83.

Financial Information (in millions of GRD)

	1988	1989	1990	1991
Total Assets	50	364	325	299
Total Liabilities	714	6	19	1

Note: a) The above financial information comes from published balance sheets b) The land owned by the Company at Eleusis is claimed by the Ministry of Defense. The selection of manufacturing facilities is subject to official State-owned land has also been considered.

Privatization Procedure

I. Within twenty (20) days starting from the publication of the present invitation, interested buyers should submit a non-binding written declaration of interest.

II. Interested buyers who have agreed in writing to maintain secrecy, can request the Offering Memorandum and be given access to further information about the Company for sale.

III. The invitation to tender for the highest bid will be published within the specified period and in the same newspaper.

IV. The final offer should be submitted by 12.00 noon on 12 May 1992.

Tel: 301 521-5311 & 301 923-2334 (extension 2395 & 2396)

GREEK EXPORTS S.A. Via ZAVARAS President of the Board of Directors Managing Director

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 12 May 1992

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 12 May 1992. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be closed 14 May 1992 and will be in the following maturities:

ECU 300 million for maturity on 11 June 1992

ECU 500 million for maturity on 13 August 1992

ECU 400 million for maturity on 12 November 1992

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London, not later than 10.30 a.m., London time, on Tuesday, 12 May 1992. Payment for Bills allotted will be due on Thursday, 14 May 1992.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 14 May 1992 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2FA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1992, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 12 November 1992. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England 5 May 1992

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONDAY MAY 4 1992										FRIDAY MAY 1 1992										DOLLAR INDEX			
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % change on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)							
Australia (88)	150.48	-0.6	125.16	126.13	125.54	132.73	-0.2	4.15	151.31	125.88	126.92	129.10	133.00	133.08	140.94	143.79	150.22						
Austria (19)	162.48	-1.3	135.14	135.19	135.07	139.27	-1.3	2.10	164.59	136.71	136.07	140.42	141.08	141.08	142.40	143.79	162.48						
Belgium (42)	182.53	-1.0	114.97	115.88	115.07	115.80	-1.1	6.28	186.66	116.00	117.14	110.15	116.56	145.19	135.87	134.82	182.53						
Canada (115)	127.29	+0.0	105.88	105.89	105.73	109.72	+0.0	3.35	127.33	105.73	105.80	108.82	109.87	142.12	125.80	137.72	127.29						
Denmark (28)	223.27	+0.8	104.03	105.83	105.26	109.26	+0.9	1.83	221.51	102.99	102.20	107.21	200.18	273.94	228.84	221.41	223.27						
Finland (16)	76.55	+0.4	65.33	65.84	67.08	73.94	+0.3	2.02	78.27	65.01	65.68	68.87	73.09	88.80	73.84	71.12	76.55						
France (105)	162.39	+0.5	135.08	135.10	135.70	141.08	+0.5	3.34	161.80	134.23	135.55	137.86	140.31	152.39	148.06	162.39							
Germany (100)	111.88	+0.0	105.88	105.89	105.73	109.72	+0.0	3.35	111.92	105.73	105.80	108.82	109.87	142.12	125.80	137.72	111.88						
Hong Kong (65)	233.29	+2.5	103.67	105.17	103.81	281.86	+2.4	3.32	227.41	103.88	104.75	104.02	226.46	233.03	176.38	191.15	233.29						
Italy (105)	163.30	+0.3	135.32	135.88	135.48	141.94	-0.3	3.74	163.78	135.03	137.38	138.73	142.06	170.71	171.78	159.15	163.30						
Ireland (16)	70.03	+1.9	52.29	52.74	53.88	64.81	+1.1	3.26	71.45	52.34	52.33	55.35	60.88	64.81	55.70	70.03							
Japan (1475)	97.76	+0.1	81.51	81.94	83.51	81.94	+0.1	1.04	97.68	81.13	81.94	83.75	81.94	140.85	85.70	77.78	97.76						
Malaysia (16)	247.39	+1.8	202.03	203.88	207.48	235.26	+1.4	2.76	239.99	199.50	200.46	203.89	232.59	250.18	212.48	228.28	247.39						
Mexico (16)	146.58	+0.6	105.88	105.89	105.73	109.72	+0.6	3.35	146.62	105.73	105.80	108.82	109.87	142.12	125.80	137.72	146.58						
Netherlands (12)	152.92	+0.0	80.85	81.38	83.38	126.75	+0.1	4.21	157.24	133.28	131.90	134.16	132.59	178.07	157.89	152.92							
New Zealand (14)	44.36	+0.1	36.89	37.18	37.29	43.83	+0.4	8.29	44.43	36.81	37.18	37.81	43.66	46.21	42.01	44.36							
Norway (26)	183.85	+2.2	152.80	154.08	157.03	180.13	+2.0	1.59	179.79	143.35	150.51	153.39	156.51	192.86	161.58	183.85							
Portugal (16)	117.20	+0.7	105.88	105.89	105.73	109.72	+0.7	3.35	117.26	105.73	105.80	108.82	109.87	142.12	125.80	137.72	117.20						
South Africa (61)	233.75	+1.3	184.42	185.89	186.95	175.57	+1.3	2.89	230.78	191.74	193.55	196.95	197.34	209.30	200.16	202.22	233.75						
Spain (55)	148.96	+0.0	123.67	124.33	127.21	116.35	+0.1	5.21	149.88	123.68	124.97	127.10	118.19	180.47	146.88	148.96							
Sweden (16)	177.20	+1.2	150.70	151.91	155.91	180.15	+1.1	2.76	184.65	146.18	146.18	146.18	146.18	171.86	156.92	177.20							
Switzerland (59)	102.67	+0.9	85.39	85.87	87.17	95.61	+1.2	2.23	101.76	84.22	85.36	86.83	84.63	104.22	95.95	92.72	102.67						
United Kingdom (226)	190.31	+0.1	138.48	139.87	140.72	138.48	+0.0	4.68	190.78	138.46	140.01	142.75	138.46	190.78	156.88	172.52	190.31						
USA (282)	105.88	+0.0	105.88	105.89	105.73	109.72	+0.0	3.35	105.88	105.73	105.80	108.82	109.87	142.12	125.80	137.72	105.88						
Australia (88)	150.22	-0.1	124.94	125.91	126.32	127.47	-0.0	3.96	150.34	124.67	126.11	126.27	127.47	150.22	136.58	136.21	150.22						
Austria (19)	175.74	+1.1	148.17	150.20	150.12	147.48	+1.1	2.20	173.81	144.77	145.80	148.29	148.29	189.22	168.88	173.73	175.74						
Belgium (42)	104.24	+0.2	86.70	87.38	89.05	87.88	+0.2	1.43	104.00	86.36	87.24	88.75	87.82	141.97	84.40	104.24							
Canada (115)	126.10	+0.2	102.17	102.17	102.17	102.17	+0.2	2.51	122.73	101.94	102.94	104.16	104.16	145.31	113.50	126.10							
Denmark (28)	192.29	+0.1	104.20	104.20	104.20	104.20	+0.1	3.22	192.29	104.20	104.20	104.20	104.20	145.31	113.50	192.29							
Finland (16)	126.10	+0.0	105.00	105.84	107.06	109.59	+0.1	3.22	126.10	104.90	105.95	107.77	108.22	126.79	121.81	126.10							
France (105)	188.14	+0.2	135.81	140.52	143.50	140.59	+1.3	3.54	185.15	136.00	136.36	141.77	146.10	168.10	146.01	188.14							
Germany (100)	112.67	+0.2	105.88	105.89	105.73	109.72	+0.2	3.35	112.67	105.73	105.80	108.82	109.87	142.12	125.80	137.72	112.67						
Hong Kong (65)	134.82	+0.5	111.89	112.78	114.52	122.79	+0.5	2.50	133.75	111.10	112.21	114.13	122.10	150.58	127.21	141.11	134.82						
Italy (105)	138.73	+0.6	115.29	116.25	116.81	119.67	+0.7	2.75	138.08	114.68	115.83	117.81	122.55	135.06	130.04	141.11	138.73						
Japan (1475)	97.76	+0.1	81.51	81.94	83.51	81.94	+0.1	1.04	97.76	81.51	81.94	83.51	81.94	140.85	85.70	77.78	97.76						
Malaysia (16)	242.00	+0.5	115.90	116.80	119.04	126.12	+0.5	2.76	238.15	115.16	116.33	118.32	125.46	153.70	130.65	242.00							